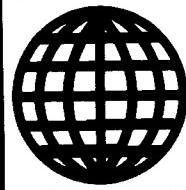


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# ***JPRS Report***

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## CONTENTS

16 August 1993

### INTERNATIONAL

#### GENERAL

Strategies for Coping With Asian Regionalization *[GUOJI MAOYI WENTI 30 Apr]* ..... 1

#### POLITICAL

Deng Xiaoping Theory To Strengthen, Improve Country *[JIEFANG RIBAO 30 Jun]* ..... 5

#### ECONOMIC

##### NATIONAL AFFAIRS, POLICY

Restructuring State Property Administration System *[JINGJI RIBAO 12, 13, 14 Jun]* ..... 12

##### PROVINCIAL

Statistical Report on Ningxia Economic, Social Development *[NINGXIA RIBAO 2 Jun]* ..... 17

Effect of New GSP Program on Guangdong *[GUANGDONG DUILWAI JINGMAO Mar]* ..... 24

##### INDUSTRY

Progress in Localizing Production of Santana Sedan Reported *[JIEFANG RIBAO 11 Jun]* ..... 27

Corporate Head Views Import, Domestic Car Competition *[JIEFANG RIBAO 23 Jun]* ..... 28

Future of Shipping Industry Addressed ..... 29

Impact of GATT Predicted *[ZHONGGUO JIAOTONG BAO 18 May]* ..... 29

Vice-Minister Views Industry Trends *[ZHONGGUO CHUANBO BAO 21 May]* ..... 30

##### SMALL-SCALE ENTERPRISES

Township Enterprise Achievements, Prospects ..... 32

Achievements Higher Than Expected *[JINGJI RIBAO 13 Jun]* ..... 32

Role in Urban Industrial Development *[JINGJI RIBAO 16 Jun]* ..... 33

##### FOREIGN TRADE, INVESTMENT

State Council Economist Interviews on Trade With ROK *[JINGJI RIBAO 28 May]* ..... 35

#### ECONOMIC ZONES

Series Outlines Shenzhen's Future Development Focus

*[Hong Kong CHING-CHI TAO-PAO 24, 31, May, 14 Jun]* ..... 37

#### POPULATION

Impact of Market Economy on Population Development

*[ZHONGGUO RENKOU BAO 14 Jun]* ..... 42

Rapid Urbanization of Shanghai Population *[ZHONGGUO RENKOU BAO 11 Jun]* ..... 43

Evolution of 'Three Unchangings' Family Planning Policy

*[ZHONGGUO RENKOU BAO 28 Jun]* ..... 43

#### TRANSPORTATION

Nanjing Civilian Airport Feasibility Study Approved *[XINHUA RIBAO 2 Jun]* ..... 45

Jiangsu Civilian Air Cites Good Safety Record *[XINHUA RIBAO 18 Jun]* ..... 45

#### SOCIAL

Renowned Jurist Expounds Characteristics of Bribery

*[Hong Kong LIAOWANG OVERSEAS EDITION 21 Jun]* ..... 46

## GENERAL

### Strategies for Coping With Asian Regionalization

93CM0303A Beijing GUOJI MAOYI WENTI  
[INTERNATIONAL TRADE JOURNAL] in Chinese  
No 124, 30 Apr 93 pp 20-24

[Article by Wu Lianyou, of the Institute of Northeast Asian Studies of the Academy of Social Sciences of Liaoning; "The Development of Economic Cooperation in the Asian-Pacific Region and China's Strategy of Opening to the Outside World"]

#### [Excerpt] [passage omitted] II. The Development of Economic and Trade Cooperation in the West Pacific Region

Since the start of the 1990's, the international economic environment has been characterized by an increasingly prominent trend toward economic regionalization and bloc-formation. In Europe, the European Community is actively pressing forward with its plan for establishing a grand unified market; as other European countries can also join the EC as official or unofficial members in a gradual process, a huge European economic bloc can thus come into being. In the Americas, in August 1992, the United States, Canada and Mexico reached final agreement in the negotiations on the establishment of the North American Free Trade Agreement. It is possible that other Latin American countries may also be incorporated, so as to form an economic bloc of the Americas. Under such circumstances, the economies of the West Pacific region will be facing the serious challenge of coping with the growing threat presented by worldwide trade protectionism. As a result, in the past two years, the region has been giving special emphasis to the urgency and importance of strengthening regional economic cooperation. In recent years, despite all kinds of political and economic turbulence around the world, the Asian region has been characterized by relative political stability and strong economic vitality. According to *The Prospects of Development for Asia in 1992* published by the Asian Development Bank, Asia's rate of economic growth would rise from 5.8 percent in 1991 to 6.5 percent in 1992, and reach 6.7 percent in 1993, much higher than the average rate of economic growth for the world as a whole which was 1.8 percent in 1992 and will be 3 percent in 1993. The political stability in the Asian region has helped assure the existence of a benign cycle of rapid economic growth. Thus, the call for more energetic, closer economic cooperation has been getting ever louder in the region; meanwhile, many proposals and ideas on regional economic cooperation have been put forward.

#### 1. The idea of an East Asian economic sphere

To counter the strong pressure resulting from the trend toward the formation of regional blocs in Europe and the Americas, Japan has always been hoping to form a sphere of cooperation in the East Asian region in which Japan will play the leading role and in which the Japanese yen will assume a pivotal position. The main content of this idea is: Japan selects the newly industrializing economies of Asia and the Association of Southeast Asian Nations—which

have close economic and trade ties with Japan—as partners of cooperation, and establish, within the sphere, transnational production systems and networks mainly based on the high-tech industries of Japan, the capital-intensive industries of the newly industrializing economies, and the labor-intensive industries of the ASEAN countries. Since the beginning of the 1980's, and especially since 1985, Japan has continually increased the scale of its direct investment in the sphere, and the status and role of the Japanese yen in the sphere have been getting ever more important. Meanwhile, the interdependence among the countries and areas in the sphere has been growing, and the division of labor based on situations concerning levels of development within the sphere has also developed to some extent. The East Asian economic sphere, because of its strong financial and technological capabilities, is going to have even more vitality, with the improvement of the relations of economic cooperation.

#### 2. The idea of a Southeast Asian economic sphere

In December 1990, because of the manipulation carried out by United States and European countries, at the Uruguay round of GATT negotiations, the developing countries in general, and the Asian countries in particular, came to face the issue of the weakness of their regions concerned shown in the negotiations. As a counter measure, Prime Minister Mahathir of Malaysia put forward the idea of establishing the "East Asian Economic Group" (EAEG) to be composed of the ASEAN countries plus Japan, China, Taiwan, Hong Kong, South Korea, Myanmar, and the three countries of Indo-China. Later, in view of the growing relative importance of Australia's resources to the Asian region, that idea, in its later versions, also encompassed Oceania. According to the idea, 1) the "East Asian Economic Group" will just be a possible multilateral-organization tool available to the majority of the countries, that is, no reduction in, or damage to, the interests of the participating countries of the ministerial meeting of the Asian-Pacific Economic Cooperation; 2) the bloc intends to keep the East Asian region's status as a region with expanding trade and investment, and will play an important role in world trade, including contributing to expanding trading in the enlarged European market and the market of the Americas, that is, no weakening of ASEAN economic and trade relations with external markets, much less advocating protectionism on the part of the East Asian Economic Group. Nevertheless, the United States still expressed strong objections to the idea, while other countries and areas such as Japan, the other ASEAN countries, and the newly industrializing economies were not very enthusiastic about the idea. Subsequently, as a substitute for the EAEG plan, the prime minister of Thailand, Anand Panyarachun, put forward the idea of the "ASEAN Free Trade Area (AFTA)" in June 1991. In addition, the Philippines also proposed the draft ASEAN Economic Treaty which was designed to further the cooperation among the ASEAN countries, and Indonesia put forward the idea of the Common-Effect Preferential tariffs (CEPT). In October 1991, the ASEAN economics ministers' meeting reached agreement on the establishment, within 15 years, of the ASEAN Free Trade Area in the

region so as to achieve market liberalization and on delivering a message to other countries, calling for the establishment of the "East Asian Economic Conference (EAEC)" which would have as its purposes the enhancement of economic vitality of the region and the strengthening of the open trade system of the world. To establish AFTA at an early date, the Council of AFTA was established in Bangkok in September 1992. The position of the council chairman will be assumed by the chairman of the annual ASEAN economics ministers' meeting. The council will report to the economics ministers of the six ASEAN countries. Furthermore, subregional cooperation among the ASEAN countries is also booming. For instance, the plan for establishing an economic development zone based on combining Singapore's technological and financial strengths with the cheap land and labor of Johore State, Malaysia, and Bintan Island, Indonesia, has already been implemented; a cooperation plan characterized by the idea of a northern growth triangle consisting of Thailand's Phuket Island, Malaysia's Pinang Island, and Medan, the capital of Sumatera, Indonesia, has now been proposed.

### *3. The idea of an Northeast Asian economic sphere*

Northeast Asia is a region of the world which is full of vitality in regard to economic development and has great potential. In the recent years, the call for strengthening regional economic cooperation has been getting ever louder in the region. Many experts and scholars have put forward various proposals and ideas. In September 1987, Professor Jun Nishikawa of Waseda University in Japan became the first to put forward the idea of the "economic cooperation of countries on the rim of the Sea of Japan," but the idea failed to encompass the former Soviet Union which is important to Northeast Asian economic cooperation. Later, Professor Kazuo Ogawa of Niigata University put forward his idea which, while encompassing the former Soviet Union, encompassed neither the north nor the south of the Korean Peninsula. Meanwhile, Chinese scholars put forward the idea of establishing an "Northeast Asian economic sphere," mainly designed to take advantage of the significant complementarity among the parties in the region in terms of economic structures by forming a system of regional economic cooperation based on combining the enormous financial and technological capabilities of Japan and South Korea, the rich natural resources of the Far East region of the former Soviet Union, and the abundant labor resources of China, North Korea and Mongolia. In addition, some researchers in South Korea also put forward the idea of an "economic sphere of the rim of the Yellow Sea," which prompted some reactions from some Chinese scholars who, in turn, suggested the establishment of an "area of economic cooperation on the rims of the Bo Hai and the Yellow Sea." According to the suggestion, this economic sphere is to be an area of economic cooperation composed of the open regions along China's Bo Hai coast, the west coastal regions on the Korean Peninsula, and the Kyushu and Shimonoseki regions of Japan which will become partners in trade and investment activities and in technological cooperation. The idea of Northeast Asian economic cooperation is currently still in the stage of being discussed, and progress

has been slow. But, the results of subregional economic cooperations have been eye-catching. The project of building a transnational special economic zone incorporating existing economic development zones in China, North Korea and Russia—the Tumen River Triangle Project—has received financial assistance from the United Nations Development Program. Furthermore, according to the plan, this zone will be one of multilateral economic and technological cooperation with an area of about 10,000 square kilometers, and will take 20 years to build and cost around US\$30 billion. The area concerned is at the juncture of China, Russia and North Korea, and has the advantage of having convenient sea-, air-, and land-transport links with Japan and Mongolia. The successful development of the area will greatly facilitate the efforts of the parties in the Northeast Asian region to speed up the development of economic cooperation.

### *4. The idea of a Chinese economic sphere*

As the European integration and the work on establishing the North American Free Trade Area are speeding up, and as various ideas on economic cooperation zones have been put forward in the Asian-Pacific region, experts and scholars from the Chinese mainland, Hong Kong and Taiwan have put forward an idea on economic cooperation—the idea of a Chinese economic sphere (also called the idea of a Chinese economic community)—which has aroused great international attention. Basically, according to the idea, the economic sphere to be established will be an economic community similar to the European Common Market, and will be composed of the Chinese mainland, Taiwan, Hong Kong and Macao and be built on the basis of combining the scientific and technological capabilities, resources and manpower of the Chinese mainland with the strengths of Hong Kong, Taiwan and Macao in the areas of funds, management knowhow, and information networks. The basis for putting forward this idea is as follows: First, since the adoption of the policy of reform and opening to the outside world, the national economy of the Chinese mainland has grown at an extremely high rate. In 1980-1991, the Chinese mainland increased its gross national product from 447 billion yuan to 1,958 billion yuan; its per capita GDP grew from 456 yuan to 1,691 yuan; and its total volume of foreign trade grew from US\$38.1 billion to US\$135.7 billion. The huge potential market, the abundant natural and human resources, the relatively well-developed infrastructure, and the significant technological capabilities, especially in terms of some high-tech areas as well as sophisticated equipment, of the Chinese mainland are all very attractive to Taiwan, Hong Kong and Macao. Second, Taiwan, Hong Kong, and Macao on the one side and the Chinese mainland on the other are surely different in terms of industrial structure, and there is surely competition between the two sides; but, the similarities and complementarity between the two sides are the dominant aspect of the relations between the two sides. In the recent years, trade between the three areas of Taiwan, Hong Kong, and Macao and the Chinese mainland as well as the three areas' investment on the Chinese mainland grew substantially. By early April 1991, according to the records of the Taiwan authorities, there

were over 2,100 Taiwanese-funded enterprises on the Chinese mainland, with the relevant agreements entailing investment worth a total of nearly US\$2 billion. Taiwan has now become the fourth largest investor, after Hong Kong, the United States and Japan, on the Chinese mainland. By September 1990, on the Chinese mainland, there were 19,573 Hong Kong- and Macao-financed enterprises, involving investment worth US\$22.6 billion. The economic and trade relations among the Chinese mainland, Taiwan, Hong Kong and Macao are developing rapidly, with the economic ties getting ever closer. Third, from the perspective of historical development, Hong Kong will leave the United Kingdom and return to China in 1997; Macao will leave Portugal and return to China in 1999; and the Chinese mainland and Taiwan will certainly be unified in the near future. The common historical, cultural origins of the four areas have been an extremely important factor contributing to the fact that the idea of a "Chinese economic sphere" was put forward in the first place, aroused attention from all four areas, and, even more importantly, met with approval from a large number of businessmen. Especially, as the people of the four areas are all descendants of Yandi and Huangdi, the blood relations are a very strong cohesive force for "blood is thicker than water." The proposals about a "Chinese economic sphere" have to be perfected through study and discussion to be conducted by people of all circles from the four areas, but, undoubtedly, a "Chinese economic sphere" which has strong financial and technological capabilities, huge amounts of natural and human resources and great economic potentials, and are developing rapidly will make important contributions to the economic prosperity of not only the Asian-Pacific region but also the world as a whole.

In addition to the ideas on regional economic cooperation discussed above, some countries and areas of the Asian-Pacific region have also put forward various other ideas. For instance, the Japanese put forward the idea of a "Pacific economic sphere" and the idea of an "Asian development corridor"; the United States put forward the idea of a "US-Japan economic sphere"; and China put forward the idea of a "Southern China economic sphere" and the idea of an "East China Sea economic sphere." There are many proposals and ideas on economic cooperation, but at the present time the economic cooperation of the Asian-Pacific region is developing slowly. The road to achieving regional economic cooperation on a scale similar to that of the European Community or the North American Free Trade Area will still be very long and tortuous.

### III. China's Strategy of Opening to the Outside World

In today's world, the formation of regional economic blocs and regional economic integration have become an irresistible, objective trend. The international political and economic environment and the development of regional economic cooperation in the Asian-Pacific region will have great significance to China with regard to its strategy of opening to the outside world. In order to secure a more advantageous position in the international division of labor and international competition, we should adopt

relevant dynamic tactics, while closely watching the developments in the economic and trade cooperation in the Asian-Pacific region.

1. It is necessary to further accelerate the development of the national economy and endeavour to enhance our competitiveness in the world arena. Since the beginning of the reform and opening to the outside world, China has achieved rapid development in economic construction, resulting in eye-catching growth; but, in terms of economic capabilities, China remains largely a developing country. In the Asian-Pacific region, China is now situated between the newly industrializing economies and the other developing countries in terms of the level of development. As in the 1990's, science and technology will become an increasingly important productive force, and as new and high technologies will become the main factor contributing to the competitiveness of goods, international competition will be all-dimensional, involving the levels of scientific and technological development, management qualities, and the qualities of the population. Therefore, in our effort to accelerate the development of the national economy, the first task is to develop science and technology in a big way, using scientific and technological development as the main force propelling the accelerated economic construction and the improvement of our competitiveness in the world arena. It is necessary to further deepen the reform, that is, to continue the work of fundamentally changing the highly centralized system of administrative-command management, and to establish a new management system which can correctly reflect market situations and effectively regulate the market. It is necessary to adopt a tilting policy; that is, to use policies of preferential fiscal and tax treatment to encourage enterprises to improve their technological and management standards and make enterprises speed up the transformation of the operating mechanisms, so as to make the enterprises enter the domestic and international markets and participate in the division of labor and competition. Complete, at an early date, the transformation of China's industrial structure from one based on labor-intensive industries into one based on technology- and capital-intensive industries through developing emergent high-tech industries in a big way, so as to get, in a fundamental way, China out of the awkward situation in which China, armed with less-developed capabilities, can now only participate in lower-level international competition.

2. It is necessary to select a model of opening to the outside world which can promote China's economic growth and facilitate China's participation in the competition on the world market. In terms of the actual situation, China has already built up a modern industrial system based on heavy industries; China has strengths in terms of its natural and human resources and its huge potential market. Therefore, undoubtedly, we can attract foreign capital and technology, through carrying out technological renovations in the existing enterprises and providing the potential market, so as to promote our import and export trade and economic cooperation with other countries and areas. We can select the development model characterized by being export-oriented and by the practice of import

substitution; on the basis of the current situation where exports are mainly labor-intensive products, speed up the development of export of capital- and technology-intensive products, so as to continuously increase the competitiveness of our products on the world market. At the same time, it is necessary to further open up to the outside world; secure, with vigorous efforts, foreign investment and technology through adopting various unique economic policies and setting up free economic zones of various forms. With regard to securing foreign investment and technology, it is necessary to change our policy from being mainly about tariff concessions and location-based preferential treatment into being mainly about improving investment environment, making use of the potential market and sector-based preferential treatment. With regard to introducing technologies, it is necessary to focus on introducing those new and high technologies which are intelligence-intensive and technology-intensive.

In this way, we can not only increase our capital accumulation, but also promote the upgrading of our industrial structure and the accelerated development of our national economy.

3. Adopt an active attitude toward the development of multidimensional international economic and trade cooperation, and develop such cooperation by adopting prudent measures. The establishment of the grand unified EC market and the emergence of the North American Free Trade Area have furthered the development of trade protectionism, but, from the standpoint of the economic development of the world, it is clear that they will never become completely exclusive economic blocs. In carrying out economic and trade exchanges and cooperations with those regions, China faces both opportunities and challenges. Therefore, we should make full use of the available opportunities, and select appropriate international economic strategies for continuing to explore the West European and North American markets. In the recent years, the East European countries and the former Soviet Union have been suffering from severe political and economic turbulence, negatively affecting China's trade and economic exchanges with those countries in many ways.

Nevertheless, it should be pointed out that we have traditional economic and trade relations with those countries, and that the two sides complement each other economically. Thus, from a long-term point of view, China should further develop economic cooperation and exchanges with those countries on the basis of the existing relations of economic and trade cooperation. In short, the development of relations of multidimensional economic and trade cooperation will not only promote China's economic growth but also give China greater room for manoeuvring in the area of international economic cooperation, so as to give China a more advantageous position in international trade and economic exchanges.

4. Make timely moves in the effort to participate in the regional economic cooperation of the Asian-Pacific region. In today's world, with the expansion of international investment and the development of internationalization of production, the interdependence among countries (areas) and among the various regional economic blocs of the world is growing daily. Such interdependence has to some extent helped develop the international contacts, and strengthen the relations between the various regions, between the various countries, and between the various economic blocs. It can be said that economic integration in the world and the formation of regional economic blocs are the historical tide in the world today; almost no country or region can stay outside the tide. While the effort to form a regional bloc in the Asian-Pacific region is now proceeding slowly, various subregional economic cooperations are booming in the region. Bilateral and multilateral regional cooperations among the countries (areas) are in an even more robust state. Consequently, while paying attention to European and American countries, we should seize all favorable opportunities in the Asian-Pacific region, and actively participate in the economic cooperation in the Asian-Pacific region, especially such subregional economic cooperations as those of the Northeast Asian region, the Yellow Sea rim region, and the Southeast Asian region. We should also take advantage of the economic complementarity and special cultural links between China and its neighbors, and develop economic relations and economic and trade cooperations of various forms.

**Deng Xiaoping Theory To Strengthen, Improve Country**

93CM0381A Shanghai JIEFANG RIBAO in Chinese  
30 Jun 93 pp 1, 10

[Article by Zhou Ruijin: "We Must Propagandize and Practice Deng Xiaoping's Theories for Building Socialism With Chinese Characteristics To Strengthen the Nation and Make the People Well-off"]

[Text] The 14th Party Congress put forward the strategic mission of persisting in arming and unifying the thinking of the entire party with Deng Xiaoping's theory of building socialism with Chinese characteristics, thus establishing a new theory and raising a new banner with which our party can lead reform and opening up and modernization, this new revolution. Deng Xiaoping's theory of building socialism with Chinese characteristics is the Marxism of contemporary China; it is the powerful weapon with which a large, economically and culturally backward socialist country can achieve strength and prosperity.

To strengthen the nation and make the people prosperous has been for many generations the great ideal relentlessly pursued by innumerable Chinese people of high ideals. However, because they never found the correct path, this ideal was shattered again and again. With the new democratic revolution led by the Communist Party, the victory of the socialist revolution and the establishment of the socialist system and especially with the establishment of the basic theory and basic line of building socialism with Chinese characteristics, we have opened a path which will bring us past the borders of this ideal of a strong nation and prosperous people. Through historical comparisons and international surveys we have learned that Deng Xiaoping's theory for building socialism with Chinese characteristics is precisely the theory for strengthening the nation and making the people well-off. The sacred mission entrusted to the ideology propagandists by the party and the people is to consciously and inflexibly implement the strategic decisions of the 14th Party Congress and through our creative work create a beneficial environment of public opinion for using Deng Xiaoping's theories to arm the entire party, causing all comrades throughout the party to more insightfully recognize the historical position and scientific value of this theory, so as to more consciously implement the basic theories and line of the party and more actively take hold of the fate of Chinese socialism and seize an even more glorious victory of China's socialist cause.

**1. Repeatedly propagandize the extreme importance of arming the entire party with Deng Xiaoping's theory of building socialism with Chinese characteristics and unceasingly solve those problems of ideological understanding of all types which directly or indirectly affect thus arming the people with this doctrine.**

Engels once placed a high value on the importance of theory, saying: "If a people want to stand on the pinnacle of science, then they cannot for a second be without theoretical thought." Comrade Mao Zedong was even

more explicit: "If a political party leading a great revolution does not have a theory of revolution, or has no knowledge of history, or does not have an incisive understanding of an actual movement, it cannot possibly be victorious." The great experience of the Chinese revolution and construction have repeatedly taught us that the reason the Chinese Communist Party, the vanguard of China's working class and nationalities can maintain its advanced nature is first of all because the theory behind its guiding ideology is advanced and scientific. Along the twisted path of the revolutionary experience, our party creatively formed the theory of the new democracy, correctly solving the problems of the nature, adversary, motive power, mission and future path of the Chinese revolution, causing our party to become the leadership core, wholly supported by and totally trusted by all the peoples of the entire nation. The 70-plus years of the party's history shows that to form a correct and advanced theory is admittedly difficult and it is just as difficult to have this theory understood by the whole party and in the process it is almost impossible to avoid all sorts of difficulties, twists and turns. However, once the correct theory is grasped by the whole party, a material power capable of uprooting mountains and turning out the seas can be created upon the basis of a unified ideology. At the seventh plenum, the party established Comrade Mao Zedong's thought as the guiding thought, supplying a firm theoretical basis upon which the party could achieve unity of thinking and working, and then very quickly wrested total victory in the war of liberation. Entering the period of socialist construction, our party once again traveled a convoluted process of experience and understanding in order to seek out and establish a correct and advanced theory compatible with the construction, firming, and development of socialism. Upon this basis, Deng Xiaoping's theory of building socialism with Chinese characteristics was finally formulated. This theory, and Comrade Mao Zedong's theory of new democracy, are the two great theoretical contributions formulated by our party while leading China's revolution for some 70 years. The entire party is already very familiar with the first theoretical contribution - the theory of new democracy. But the second theoretical contribution, the theory of building socialism with Chinese characteristics, was formed not long ago and has not been propagandized and explained systematically for any long length of time. For these reasons, there is still a long way to go and much to accomplish as regards the entire party's full understanding of the scientific value of the theory, as regards the theory and its practical implications and as regards achieving "self confidence" and "self consciousness" in its practical implementation. Therefore, augmenting propaganda of this theory is obviously extremely urgent and extremely important. In order to arm the entire party we must first propagandize the entire party. Whether they become well armed depends to a great extent upon how the propaganda is applied. We must repeatedly proclaim that Deng Xiaoping's theory of building socialism with Chinese characteristics is the continuation and development of Mao Zedong's thought under the new historical conditions.

Study of this theory is completely in harmony with sustaining and developing Mao Zedong's thought. We truly have reason to believe that with sustained, thorough and highly effective propaganda, Deng Xiaoping's theory of building socialism with Chinese characteristics will certainly be thoroughly understood and consciously grasped by the entire party, and will certainly become a firm theoretical basis for the entire party.

To study the situation historically, from when the Seventh Party Congress established Mao Zedong thought as the guiding ideology of the entire party, to the party's 14th Congress' putting forward using Deng Xiaoping's theory of building socialism with Chinese characteristics to arm the entire party, the great historical significance is the same. However, it should also be noted that when the 7th Party Congress put forward Mao Zedong thought as the guiding ideology, it was after the Yanan rectification: this four-year-long rectification movement in reality was a Marxism and Mao Zedong thought study movement engaging the entire party. It caused the entire party, especially the high level cadres, to achieve unity in their understanding of basic questions on China's democratic revolution on the basis of Marxism-Leninism; it caused the entire party to achieve unprecedented unity and further maturity. On the other hand, before the 14th Congress put forward using Deng Xiaoping's theory of building socialism with Chinese characteristics to arm the entire party, despite the fact that before and after the Third Plenum of the 11th Party Congress the entire party carried on discussions of the standard of truth and later also passed the resolution on several historical problems in the party since the founding of the republic and carried out a Marxism educational movement on liberating thinking and seeking truth from facts and completed the great historical task of putting down the disturbance and rebellion and unified thinking and action on the basis of the line, principles and policies of the Third Plenum of the 11th Party Congress, with the comprehensive deepening of the reform and the further expansion of our opening to the outside, and especially since experiencing the political disturbances of 1989 and the drastic changes in Soviet Europe, there still remains within the party some differences of understanding regarding the scientific nature and historical position of this theory. For these reasons, *since the 14th Congress proposed using Deng Xiaoping's theory of building socialism with Chinese characteristics to arm the entire party, thus establishing its uniform authority across the entire party just as the Seventh Congress established Mao Zedong thought as the guiding ideology of the entire party, the task of propagandizing it, then, is extremely important. And so, to use this theory in arming the thinking of the entire party, first there is the task of unifying the party's thinking.* On just this point, one of the crucially important tasks in creating a climate of favorable public opinion for using Deng Xiaoping's theory of building socialism with Chinese characteristics to arm the whole party is to help the broad masses of party members, especially the leading cadre at all levels, to solve some problems in ideological understanding through vigorous and convincing propaganda.

One problem in ideological understanding is the quibbling over whether some of the concrete measures employed in reform and opening up are "socialist" or "capitalist" in nature, looking upon socialism with Chinese characteristics as capitalism. Since the beginning of reform and opening, this type of criticizing and questioning has been going on unceasingly. But the crux of the entire question is that, shackled with backward traditional viewpoints and subjective biases, some of our comrades have never clarified just what socialism is or what capitalism is, and have looked upon policies and measures which benefit the development of productive forces as capitalism and yet have stubbornly defended some things which do not benefit the development of productive forces as socialism. We Communist party member should be engaged in socialism and communism, but if we keep doing things like we did in the past under "leftist" guiding ideology, we will not only not be able to persist in socialism but will bring socialism to ruin. During his southern speaking tour, Comrade Deng Xiaoping said it well: "If we do not persist with socialism, if we do not reform and open up, do not expand production, do not improve our people's lives, then we have reached a dead-end." These "four do not's," called "the dead-end" are the most on-the-mark analysis of the lessons of the rise and fall, success and failure of socialist movements, and yet, the last three of the "four do not's": are exactly the things most universally lost sight of during the period of so called "poor socialism" attempted under the "leftist" guiding ideology. During reform and opening up, we want to expand production, improve people's livelihood, bring in capital, talent, advanced technology, advanced management and operating methods from the capitalist countries. This is in order to consolidate, develop and strengthen socialism. Even if we are the inheritors of the four great inventions and the superior culture of the feudal era, why should we be afraid to of the advanced cultural achievements created by the capitalist societies? Comrade Deng Xiaoping said: "On the question of whether a thing is essentially "capitalist" or "socialist" in nature, the standard of judgment should mainly be whether or not it benefits the expansion of the socialist productive forces, whether or not it benefits the strengthening of the overall national power of the socialist nation, whether or not it benefits improving the people's standard of living." The criterion of judgment proposed by the "three benefits" mutually confirm the previously mentioned "four do not's." They both reflect a deep insight into what is socialism and what is capitalism. Deng Xiaoping's theory of building socialism with Chinese characteristics is built upon these two "understandings." Having an understanding of what is socialism, then he put forward the great decision on overall reform; having an understanding of what is capitalism, then he proposed the strategic principle of overall opening up. We have to repeatedly propagandize these two "understandings" so that the broad masses of party members and cadres will boldly and assuredly interpret socialism with Chinese characteristics, and will work for a socialism with Chinese characteristics with no looking backward.

**Another problem in understanding is Deng Xiaoping's persistently advocated views on productive forces" and "standards of productive forces" which become bogged down in uncertainty as to whether or not they are "views on vulgar productive forces."** The theory that productive forces are the ultimate determinant in social development is one of the basic theories of historical materialism. Comrade Deng Xiaoping has repeatedly stated that "We have never gotten it clear exactly what socialism is, or how to persist in socialism." This is to say that we were never absolutely certain that the fundamental task of socialism is to develop productive forces. In the past we never commonly put the development of productive forces in the category of the essence of socialism in our traditional theories of economics or did not give prominence to its status as an essential element of socialism. Since the Third Plenum of the 11th Party Congress Comrade Deng Xiaoping has proposed shifting the major emphasis of the entire party's work into economic construction and even more penetratingly explained that we must have a scientific understanding of the essence and mission of socialism from the viewpoint of liberating and expanding productive forces. He proposed the question of "basic tasks" and the question of "basic standards" and in his southern talks went a step further to explicitly state that "the essence of socialism is to liberate and expand productive forces, to abolish exploitation, eliminate the separation of the two poles, and gradually attain common prosperity." By this he raised the question of the expansion of productive forces to an unprecedentedly high level and at the same time linked much more closely productive forces to the relations of production and productive forces to socialism. It is a comprehensive and unified theory which addresses productive forces in the most basic terms. Thus the dunce cap of "vulgar productive forces" cannot be thrust upon the head of the theory of socialism with Chinese characteristics. Naturally, some of the vulgarized understandings of the theory of productive forces and standards of productive forces which still exist in real life will have to be corrected, but these are the products of misunderstandings or misinterpretations of socialism with Chinese characteristics, and are not problems with the theory itself. While we are correcting certain misunderstandings in our real-life work, we must support the theory of productive forces and standards of productive forces with total assurance.

**There is another problem in understanding, and that is the confusing Comrade Deng Xiaoping's proposed and repeatedly emphasized "taking economic construction as the core" with so-called "economic pragmatism."** The idea emphasized by pragmatism that "if it's useful it is OK" has, as regards usefulness or lack of usefulness, the individual as its effective object, whereas the criterion of judgment of the "three benefits" put forward by Deng Xiaoping's theory of socialism with Chinese characteristics has the broad masses of the people as its effective object in deciding benefit or lack of benefit. For this reason, speaking in terms of utility, this is not for the benefit of a single individual, and it is not for the narrow benefit of a single party or faction but rather takes as the highest benefit that of the broadest spectrum of the masses. For

what other reason would so called pragmatism in recent Chinese history always talk about problems and never addresses theory, while the theory of socialism with Chinese characteristics addresses both problems and theory. When Comrade Deng Xiaoping proposed reform and opening up, he began with a clear understanding of what socialism is and what capitalism is. During the process of reform and opening up, he has repeatedly emphasized "upholding four things." Comrade Deng Xiaoping emphasized that we must use practical action to answer back those people who fear that we might go down the path of capitalism, that we should rely upon development to finally convince those people who do not believe in the superiority of socialism. This line of reasoning does not address only problems, but also addresses theory; it is a kind of creation which will truly make the socialist experience something consciously undergone by over a billion people.

Being ideological propaganda workers in the party, we have the responsibility and the mission to overcome these real problems in ideological understanding, to study, research and propagandize Deng Xiaoping's theory of socialism with Chinese characteristics on even higher levels and to even greater depths. Naturally, when we say overcome problems in ideological understanding we are not talking about forcing people or carrying out big criticism campaigns or big debates but rather comprehensive reasoning aimed at helping people, propagandizing and explaining done with skill and patience, helping people to clear out their doubts and dissolve their various worries.

**2. In order to propagandize Deng Xiaoping's theory of socialism with Chinese characteristics, we must both pay attention to its systematic nature and also be especially attentive to its particularity and clearly answer the real questions which are of widespread concern to the people.**

Deng Xiaoping's theory of socialism with Chinese characteristics is a comprehensive scientific system. The party center requires leading cadre at all levels to systematically, not in piecemeal fashion, to realistically, not in a vacuum, study and learn well this theory. This is a requirement directed at study of the theory and at propagandization of the theory. Being systematic is embodied in making it a process and it is also a requirement stemming from the breadth of the study of the theory. Ideological propaganda workers have a responsibility to accomplish their own individual, unrelenting hard work to systematically study, research and propagandize this theory. However, being systematic in any particular period is always an embodiment of various types of concrete and realistic applications. The systematic nature of the theory is formed in this manner, and so is the systematic nature of the study and propaganda. To get deep into the realities of reform, opening up and modernization, to get down into the broad masses of people, to learn from the masses, to learn from practical experience, to solve the burning questions, the doubts, the puzzling problems with particularity, and to explain the theory, this is the unshirkable duty of the ideological propaganda workers. The more numerous, the more common, the more explicit the real questions and

problems we answer or solve, the greater our accomplishments. We believe that in order to propagandize Deng Xiaoping's theory of socialism with Chinese characteristics with particularity and persistence, the following four points should be well grasped.

**1. Have a comprehensive, scientific understanding and grasp of Comrade Deng Xiaoping's theory on speeding up development.** Development is the "hard truth" of Marxism; the speed up of development is a great strategic guiding principle proposed by Comrade Deng Xiaoping. Comrade Deng Xiaoping's theory of development is a scientific system which incorporates a basis, three levels. The basis is the theory that development requires being adept at grasping opportunities. When speaking about increasing speed and self development in the present era, Comrade Deng Xiaoping is presupposing that "now is the best opportunity," that we must "seize the day." Opportunity is the basis of development and opportunity is circumstance. China's tremendous development in the nineties was the objective necessity facing us because of international and internal circumstances. Looking at worldwide patterns, the entire globe is at the great turning point of a transitional period; peace and expansion are the main themes of the contemporary world; the trend to multi-polarity cannot be stopped. For the development and emergence of a large country like China, this provides a great stage on which to show one's prowess. At the same time, the nineties is an era linking the past and the future, and is also a crucial era in which all major nations are making frantic preparations for contesting overall national power in the early years of the next century. For China, this means that tremendous opportunities and tremendous challenges exist simultaneously, but the opportunities outnumber the challenges in the new world environment. Looking at the regional environment, the political situation in our area, especially the southeast Asia region, is comparatively stable; the economy continues to expand, and is becoming the region with the world's most vigorous developmental vitality. For the first time in over 40 years China is having no tense confrontation with any of its neighboring countries. This gives us a border environment which is extremely advantageous for development. And looking at the internal situation, having had 15 years of reform and opening up, the economic system has undergone major changes and our gross national strength has accumulated tremendous potential. The investment in reform and construction in the 1980's has already reached the "pay back time." Tremendous real possibilities for new development and speedy progress already lie before us. It is abundantly obvious that the "development theory" based upon the "opportunity theory" is the reflection of materialism and the high level unification of emancipation of thought and seeking truth from facts. Upon this basis open out the three levels: the first is development with speed. Speaking in the long term, this means taking a hundred years to achieve the level which the developed nations required 300 years to reach. Speaking in terms of the nineties, it means an annual increase at the rate of 8 to 9 percent as proposed by the report of the 14th Party Congress. Speeding up development is the necessary path for persistently confirming

and developing socialism amid the fierce international competition of the nineties. The second level is conditional development. When speaking about speeding up development, Comrade Deng Xiaoping has always emphasized that there are "conditions." These conditions mean "consider the benefits, consider quality, form an out-ward directed economy," that is, "in a down to earth manner pay attention to the benefits and stable, coordinated development," which is "we must rely upon science, technology and education." It is obvious that these "conditions" in the final analysis mean to operate a socialist market economy, to rely upon the market's basic role in the factors of production and the distribution of resources. The third level is phased development. Comrade Deng Xiaoping's theory that "economic development reaches a new stage every several years" is a major synopsis of all the laws of modernization and development. This demands that we keep the initiative in our own hands to "in any one phase, grasp the opportunities, speed things up for several years" and "when problems occur, resolve them promptly, and then continue to advance," avoiding those roller-coaster swift rises and big drops, and even more importantly avoiding great advances and greater retreats. Thus it is clear that Comrade Deng Xiaoping's theory of development is scientific and comprehensive. When we propagandize Comrade Deng Xiaoping's theory on speeding up development, we must do it in a comprehensive, complete and accurate manner. We cannot just preach speeding up and overlook the "conditions" and the "phases." For the same reason, when we discover and resolve some new situation or problem appearing in midst of economic expansion, we cannot for that reason allow doubts or uncertainty about Comrade Deng Xiaoping's theories on grasping opportunities and speeding up development. The key is to seize the opportunity, to value the opportunity highly, to make good use of the opportunity.

**2. By continuing reform and opening up and expanding the forces of production, persist in enhancing the propaganda dynamics for establishing the socialist market economy.** Comrade Deng Xiaoping's views on development have one outstanding characteristic. That is from start to finish, persist in expanding the forces of production through reform and opening up. The main theme of his theories is the freeing and expansion of the forces of production. Our experience since the 3d Plenum of the 11th Party Congress shows clearly that expansion cannot be divorced from reform: only then can reform promote development. Comrade Deng Xiaoping has said that the rural reforms played the pivotal role in the first doubling in the gross national value of production which took place in the eighties. The second doubling will depend upon urban reforms. If the urban reforms are successful, then we can establish the material basis for a long term, continuing and stable expansion at the end of this century and even for 30 to 50 years into the next century. It is for this reason that Comrade Deng Xiaoping has again and again reminded us that we cannot abandon reform and opening up. If we continue to use the old ways and modes, it is certain we will never achieve our strategic goals. Last year during his

talks on his southern tour, Comrade Deng Xiaoping further clarified the relationship between reform and development from a theoretical aspect. He stressed that the revolution meant freeing the forces of production and reform also means freeing the forces of production. In the past we talked about expanding the forces of production under socialist conditions but not about the fact we still had to free the forces of production through reform: this was incomplete: we should comprehensively address both freeing the forces of production and expanding the forces of production together. For this reason, we must keep reform of the economic system linked to and integrated with economic expansion from beginning to end. If we only address development and not consider reform, and especially consider the socialist market economy, not only will development not succeed, but it will breed chaos. Considering the basic road to success for economic development, a true high speed has to be achieved. In the final analysis, one must give full play to the fundamental role which the market plays in the allocation of resources and the factors of production. If the socialist market economy system is not firmly established, then the enterprise's status as the main body of an independent market cannot be realized, the various types of markets for the factors of production cannot develop as they should, governmental functions cannot be transformed, reform of the macro control systems will be seriously bogged down, expansion will not happen despite our wishes, and even if things improve for a while, they will eventually degrade. Looking at it from the view of the causes for the most prominent current problems in economic operations, these problems were not brought on by the market economy, in fact, exactly the opposite: they are the result of the traditional planned economy still having an effect. The facts prove that fixed capital investment in some areas is overheated, credit is out of control, and most of this is the result of the government overstepping its authority and meddling in operations which come under the enterprises' investment rights. As the market economy system is not yet firmly established, the "invisible hand" is powerless and allows this type of blindness which contradicts economic laws to get out of control. In an overall view, during economic development, a lot of old inadequacies and new problems come around and go around, the real reason being that contradictions in the most basic levels of the old system have yet to be resolved, precisely showing the urgent necessity of changing to the socialist market economy as fast as possible. At the moment, we must solve some of the most prominent questions concerning economic operations, and continue steadfastly in our reforms, and make use of the new ideas of the socialist market economy to explore new paths for economic expansion. Seize the day, improve reform, speed up the establishment of the new socialist market economy system—only in this way can we avoid precipitous rises and falls, the cycles that come and go, and get our economic development onto a smooth road.

*3. Actively initiate explorations into the operational standards of the socialist market economy and appropriate governmental standards, enhancing the scientific nature of*

*our propaganda.* The socialist market economy acting as a modern market economy is an economy which has as its base the market allocation of resources while simultaneously introducing laws, policies and plans from government and other types of public organizations to effect regulation. It is an economy having the public ownership system as its mainstay, macroscopic control mechanisms and administrative directions. The government bears an especially great responsibility for promoting the growth of markets and the establishment of order in market competition: this is especially the case in a country like China in the midst of development and the reform of a socialist economy. There is no way we can follow the path of initial stages of economic expansion of the developed industrial nations and depend completely on the spontaneous growth of markets and create a unified market over the course of a greatly extended period of time, rather, with the aid of the government, we must establish and perfect the market system and market order. This in turn puts forward the major missions investigating market orders and changes in governmental functions and determine the government's position in a market economy. We say that a market economy is a legal economy and this encompasses two layers of meaning. The first is that the market order, at bottom, is a system of equal competition. The main point in setting up order in the markets is to establish rules to protect equal competition and to prevent various types of activities which obstruct competition, but this does not mean that the government is everywhere tightening administrative control and interfering. The second is governmental functions, which should only aid the growth of the market and not exceed its functions and meddle in everything, or directly intervene in trade relationships. Just recently the news media have been publicizing a great many investigative reports on this topic with overwhelming enthusiasm, however, the reports are about another aspect. Because of the ideological fetters created by a long period of planned economy thinking and the strangeness of the brand new norms of the market economy, there appeared in the propaganda some plausible but false and erroneous guidance, for instance, publicity about government organs and their officials engaging in business activities and investing in the market economy. They inappropriately reported news about such things as county magistrates becoming shareholders, of mayors setting up businesses. The examples of these administrative officials out for profits types of economic activities can easily give rise to "bad examples." Still other news stories, when publicizing "changeovers" in the government, cited the examples of government officials simultaneously holding board chairman or general manager in enterprises, approved of such things and even blindly disseminated as "brand new things and the new climate" in reform of governmental organs and the move to a market economy such activities as party and government organs and their officials "seeking renters" for their official authority. This caused propaganda on the socialist market economy to slip into a "field of errors." According to modern political norms, no enterprise or individual may directly use the working processes of his public authority to seek personal profit, and the operations of all public authority must

appear impartial and equitable to all members of the society; thus, that type of propaganda which praises ads about people's congresses "bringing in" enterprises as "the market entering the assembly hall is inappropriate. All of these proposed that we scientifically publicize the rules of the socialist market economy including the standards for governmental activities and political activity which correspond with this type of modern market economy. In this regard, our propaganda workers have to help liberate the people from the set ways of thinking and set ways of acting, formed during the long period of the planned economy, in which no differentiation is made between government and enterprise and when government and business were combined. We ourselves must first "change our minds." We have to courageously draw lessons from and positively publicize the scientific norms which the developed nations have formed through several hundred years of experience in the market economy. We ourselves have to first study and get a grasp on modern market operations, including basic knowledge of and the basic ways of thinking about political operations. Only thus can we be scientific about and give guidance to correct public opinion to propaganda on establishing the socialist market economy system.

**4. Get a correct grasp on the relationship between the creation of a material civilization and a spiritual civilization under the new conditions; publicize an outlook on life and value system compatible with the socialist market economy system.** The two civilizations are to be "grasped with both hands" but we cannot allow them to be "two separate layers." The key to letting "both hands grasp firmly" is that the superstructure corresponds with the standards and requirements of the economic base, that it serve the economic construction which is the core. The establishment and vigorous expansion of the goals of the socialist market economy of necessity requires the transformation of all incompatible modes of management, activity and thinking. The deepening of reform of the economic system and the great changes in the peoples' lives will of necessity lead to tremendous changes in the peoples' ways of life and mental state. If the spiritual civilization is to be truly solidified, then it has to conform to these "tremendous changes" as well as to guide these changes. Every major social transformation in history has been accompanied by innovations in concepts. The reforms are our "second revolution." The building of the socialist market economy is a pervasive social revolution; there is no way we can avoid confronting obstacles of old ideas, old concepts and old habits formed over a long period of time. This poses a clear task for us in building a spiritual civilization. At present we must oppose decadent bourgeois things, yet avoid looking at problems with a feudalistic or "leftist" eye; we have to eradicate as far as possible the negative effects of the market economy and avoid using the set modes of thinking and value concepts of the traditional economic system to inspect and weigh the actions of people in the market economy. Only in this way will we be able to look upon these dynamic changes as a "world trend which has arrived." Naturally, during the period when the traditional economic system is changing over to the socialist market economy system, it cannot avoid bringing with it money worship, hedonism,

extreme individualism and other negative and corrupt influences and social evils; we cannot be complacent about such problems. If we do not resolve to take realistic measures to solve these problems, they will of necessity adversely affect the healthy development of reform and opening up and the establishment of the socialist market economy. For this reason, the building of the spiritual civilization during the course of establishing the socialist market economy system will both aid the people in handle the ideas and concepts which are not compatible with the new economic system and also will effectively block and overcome various unhealthy social moods and corrupt phenomenon which still exist in real life. Neither one of these aspects can be emphasized at the expense of the other during the building of the spiritual civilization. Under present circumstances, we party propagandists have to have a grasp on the situation, study the new problems, energetically propagandize the essential spirit, the main points and the internal relationships of Comrade Jiang Zemin's 64 character summation of the entrepreneurial spirit. We must truly initiate the positive, upward seeking, progressive spirit, the civilized, healthy, scientific modes of living and form the forces of public opinion, the value concepts, the cultural conditions and the social environment conducive to the development of the socialist market economy.

**3. In propagandizing Deng Xiaoping's theory on building socialism with Chinese characteristics, we must strive for simplicity, use facts, and pay close attention to being down to earth in our propaganda methods and style.**

**Truth does not fear repetition, but the propagandization of truth actually requires attentive methodology.** Especially the theoretical propaganda in newspapers, which are one of the modern mass media, need to have their own special characteristics. I believe we should persist in three things: striving for simplicity, using facts, and paying close attention to being down to earth in further propagandizing the theory of socialism with Chinese characteristics. Why should we strive for simplicity? Because truth is the simplest thing. Marxism itself is very simple. The theory of building socialism with Chinese characteristics is if anything even simpler. It is extremely uncomplicated, nothing profound or abstruse, while at the same time it is unusually incisive, not shallow or superficial. A simple theory requires simple forms. Use simple language to propagandize it; do not make an obviously very simple principle into a fog-bound, unfathomable maze. Only in this way will it be welcomed and accepted by the broad masses of the people. Why should we use facts? Because using convincing facts can move and can influence people. In 1992 when Comrade Deng Xiaoping visited Shanghai's Minxing Development Zone very solemnly stated that you must use hundreds and thousands of facts to answer that reform and opening up is "socialist" and not "capitalist" in nature. Everyone has to work hard on this. Convincing facts themselves abound in incisive philosophical truths. When theoretical propaganda begins using facts, and combines clear-cut viewpoint with convincing materials, its usefulness is multiplied ten-fold. Why should we pay close

attention to being down to earth? Because we want to avoid stirring up gales and making outcries. Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics is a scientific theory; one must take a scientific attitude and use scientific methods in publicizing a scientific theory. In 1992, in publicizing Comrade Deng Xiaoping's talks during his southern tour, some of the new media came up with a guiding idea of "deep waters run quietly." "Deep waters" refers to our propaganda, it should be weighty, strictly scientific and very convincing; "run quietly" means that theoretical propaganda should convey normality, strive for rhythm, pay attention to connectivity, and avoid precipitous changes. This is a guiding principle which should be persistently followed for the present and into the near future. For a large country like China which holds one quarter of the world's population to build socialism with Chinese characteristics is one of the great and glorious undertakings in the history of mankind. The key to realizing the socialist modernization

within a hundred years and to building a socialist system with Chinese characteristics is to persist in the party's basic line without wavering for a hundred years. During the campaign to change the modernization blueprint into reality through their unstinting labor and brilliant talents, the men and women of China will more clearly than ever before realize the tremendous value of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. It is the spiritual treasure and source of strength for the Chinese people. It is the powerful ideological weapon which guides us in realizing this great century spanning cause. Speaking in this sense, this theory has to be maintained and propagandized for a hundred years. All people of lofty ideals who are concerned for the future and fate of Chinese socialism and desire China's socialist modernization should consciously realize this point. The party's ideology propaganda workers should even more consciously realize this point.

**NATIONAL AFFAIRS, POLICY**

**Restructuring State Property Administration System**  
*93CE0684A Beijing JINGJI RIBAO in Chinese*  
*12, 13, 14 Jun 93*

[Three-part article by Lu Dong (0712 2639): "On Restructuring Enterprises' State Property Administration System"]

[12 Jun 93 p 1]

[Text] *The Need To Establish a Property Rights Concept*

[Editor's Note] In the wake of the gradual formation of the socialist market economic system, restructuring of enterprises' state property administration system has become an increasingly important issue. Comrade Lu Dong has conducted several special investigations and studies in the coastal and riverside provinces and municipalities and old industrial bases and has written three articles on the restructuring of the state property administration system, and this paper will publish those articles in succession. The names of the articles are: The Need To Establish a Property Rights Concept; Several Relationships That Require Proper Handling When Sorting Out Property Rights; Several Suggestions on the Restructuring of the State Property Administration System. Today we are publishing the first article. [End editor's note]

Guided by Comrade Deng Xiaoping's important speech delivered during his tour of South China and by the spirit of the 14th National Party Congress, the restructuring of the economic system which centered around the changing of the state-owned enterprises' management mechanisms has entered a new developmental stage where the goal is to establish a socialist market economic system. Under the current situation, our economic tasks should include acquiring a correct understanding of the role and function of property rights under the socialist market economic system, sorting out the property rights relationships according to the rules of the market economy, and developing a state property administration system and method compatible with the new system.

**Pressing Problems in the Development of the State-Owned Economy**

In a market economy, enterprises must produce in order to exchange. The essence of exchange is to transfer property rights or ownership rights. Enterprises thus become natural conveyors of property rights. Before reform and opening up, China had implemented a highly centralized planned management system for the state-owned economy. The possession and utilization of assets, the allocation of factors of production, and the distribution of goods were dependent on state plans, and the localities, departments, and enterprises were more worried about the formation of productive forces and the production of material goods and less concerned about profitability and efficiency from the property rights standpoint when utilizing state properties, and they paid little attention to the preservation and propagation of value when using those assets. This economic system played an important historically, but it was

also accompanied by serious flaws: The state-owned enterprises' assets supposedly were owned by the whole people, but in fact they were administered by many and by none at the same time. On the one hand, state properties could not be circulated or allocated properly according to market mechanisms. Decisions to maneuver those assets often lagged behind, resulting in poor efficiency. On the other hand, state properties were always under-compensated; they were outdated and obsolete, and they basically "lived off of their capital," and nobody took responsibility. Today, in developing a new socialist market economy, these concepts and approaches are no longer appropriate. We must establish a socialist property rights concept and pay more attention to how we put the state-owned capital to work, pay attention to the preservation and propagation of the state properties in value form, so that they can be put to work according to the methods of the market economy to develop and grow and give play to the state-owned economy's leadership role. This is a pressing issue in the development of the state-owned economy under the conditions of the socialist market economy.

**The Requirements of Thorough Enterprise Reform**

After the Third Plenary Session of the 11th Party Central Committee, we made expanding state-owned enterprises' management rights the first step and began to smash the old ownership by the whole people system which let the state directly engage in business. The Third Plenary Session of the 12th Party Central Committee promulgated the "Decision on Restructuring the Economic System" and helped enterprise reform take a big step forward. It clearly stated that the goal of enterprise reform was to turn enterprises into bona fide socialist commodity producers and managers capable of making their own management decisions, taking responsibility for their own profits and losses, and promoting their own improvement and development and into legal persons with specific rights and obligations. In 1988, the "Enterprise Law" was promulgated. It summed up the practical experiences of enterprise reform since reform and opening up and used the legal format to clarify the nature, status, and function of state-owned enterprises and gave them the necessary management power, so that their management rights have the necessary legal protection. Last year, the "Provisions on Changing the Management Mechanisms of Enterprises Under the Ownership by the Whole People System" was promulgated. It provided a series of specific provisions to ensure the implementation of "Enterprise Law." No doubt, for more than a decade, enterprise reform has wrapped around the theme of ensuring enterprises their autonomous management rights. The management rights here refer to the rights stated explicitly in the "Enterprise Law": "Enterprises have the right to possess, utilize, and dispose of legally the assets entrusted by the state to their management and administration," and "enterprises have civil responsibility for the assets entrusted by the state to their management." This in fact has opened up the property rights question.

The 14th National Party Congress made the establishment of a socialist market economic system the goal of reform and asked that "by sorting out property rights relationships, separating government and enterprises, and giving enterprises their autonomy, we turn enterprises into bona fide legal entities and market competitors capable of making their own management decisions, taking care of their own profits and losses, initiating their own development, and disciplining themselves. They are responsible for the preservation and appreciation of the value of state properties." In other words, we must make establishing a property rights concept and sorting out the property rights relationships a necessary step in thorough enterprise reform. Establishing a property rights concept will further substantiate enterprise reform. [Given property rights] enterprises' management decisions will not be limited to product management but more importantly they will pertain to the management of state-owned capital; when enterprises take care of their own profits and losses, they will have the assets of a legal entity to back them up, so that they can assume civil responsibilities independently; when enterprises strive for their own development, it will not be a matter of possessing more assets. More importantly, it will mean improving profitability and efficiency when putting their capital to work to maximize capital propagation; when enterprises discipline themselves, it will mean further strengthening the property rights constraints as guaranteed by political ideologies, and as entrusted by the government, they will have ownership rights as legal entities and will have greater responsibility toward the state properties. Only in this way can we truly solve the discipline problem resulting from state-owned enterprises' lack of property rights.

#### **The Need To Protect the Rights and Privileges of State Properties**

Since reform and opening up, an ownership structure dominated by public ownership but ownership by the whole people, collectives, individual households, private businesses, and "three kinds of wholly or partially foreign-owned enterprises" and other economic components also coexist has emerged. In the wake of the gradual development of the socialist market economic system, the diversification of profit-oriented entities and management formats will develop even further. Different owners and entities with different interests may own share in each other or set up joint ventures or contractual joint ventures; it will be difficult to separate one from the other. This is what is known as a "mixed economy." Amid these complicated economic activities, the establishment of clear property rights and ownership rights concepts will involve protecting the rights and privileges of state properties and giving play to the dominant role of the state-owned economy. Once property rights are defined, when we promote the enterprise shareholding system, public shares and private shares will have the same privileges and the same obligations because they are the same, and profit will not be distributed to the private shares first while debts, losses, and social burdens become the responsibilities of the state-owned shares. With a clearly defined property rights concept, the economy as a whole will be taken into

consideration. Depending on specific industries, enterprises, and their technological standards and other factors, we can decide to let foreign investors to have a controlling interest in some projects while we retain majority control in other projects and not give up our controlling interest to others. With a clearly defined property rights concept, the value of state properties will not be under estimated or even disregarded when enterprises enter into joint ventures or are being grafted or when they convert to the shareholding system. Then we will not jeopardize the rights and privileges of the state properties.

#### **Basically Improve the Way State Properties Are Put to Use**

The way state properties are put to use by enterprises today is indeed worrisome. On the one hand, there are serious losses and waste; many enterprises are harboring large amounts of potential loss; fixed assets are idled year after year, and special funds are grossly overspent. On the other hand, many enterprises are heavily burdened with debts; they have more liabilities than assets, and in fact they have become nothing but "empty shells." A survey of 52 enterprises conducted by the Administration of State Properties in a certain city showed that they had 736 million yuan in state-owned capital in the books, but after subtracting the losses, they only had 420 million yuan left. Of the 52 enterprises, only eight, or 15 percent, managed to preserve their capital with some appreciation in value; 32, or 62 percent, lost some capital; 12, or 23 percent had lost everything.

The utilization of state properties poses a very serious problem. If we are concerned only with production and not property rights, if we are concerned only with enterprises' scale of production and not their assets and liabilities, if we only take from enterprises and never consider the replenishment, renewal, and propagation of enterprise assets, then it will be impossible to change this kind of "ownership by the whole people" where there is no real ownership representation, where property rights administration is diverse and absent at the same time. Under these conditions, we cannot even begin to talk about changing enterprise management mechanisms, improving state property utilization, and giving play to the state-owned enterprises' dominant role.

In short, embracing a new concept is the precursor to reform. Only by establishing a property rights concept suited to the development of the socialist market economy, changing state property administration from one that emphasizes tangible goods to one that emphasizes value, and by developing a new system which focuses on capital and which emphasizes the administration of enterprise capital under the ownership by the whole people system in order to generate even higher state-owned capital to profit ratio can we give play to the superiority of the socialist public ownership system. This is an important lesson in the restructuring of enterprises' state property administration system.

[13 Jun 93 p 1]

**[Text] Several Relationships That Require Proper Handling When Sorting Out Property Rights**

When smoothing property rights relationships, we must establish a correct guiding ideology. Our survey shows that people generally agree that the restructuring of enterprises' state property administration system must start out from and plant its foothold on enlivening state-owned enterprises and changing their management mechanisms to promote the eventual development of society's productive forces. If we stray from this guiding ideology, we may err in two ways: One, we may turn property rights reform into a contention among different schools of thought as we make inferences and deductions from concept to concept. This makes actual reform very difficult. Two, reform may turn into a redistribution of power among government departments as they fight to represent the state property owner. Property rights reform will be turned into a power struggle among departments or regions, and it may result in limits being put on the hard-earned rights of enterprises. It will put enterprises under even more rigid control, cause enterprise reform to move backward, and hamper the development of the productive forces. For this reason, in the general design and the actual restructuring of enterprise property rights system, we must handle the following relationships properly:

**I. The Relationship Between the Government's Administrative Functions and State Property Management Function**

The reality in China is that the government, as a state organization, possesses administrative power, including the power to exercise macroeconomic regulation and control over the economy. At the same time, as the owner of state properties, it also holds ownership rights over the state-owned enterprises' assets. The government's administrative goals and scope are different from its property management goals and scope. Facts prove that mixing the government's administrative and property management functions and power makes it very difficult to separate government and enterprise functions and responsibilities, and the result can only be to put enterprises under increasingly rigid control. The government's dual identity and twin goals often force enterprises to assume dual identity and twin goals too. That is, enterprises are market entities but are also administrative appendages subject to the government's administrative interferences and administrative protection. They must pursue economic goals but also achieve their social goals at the same time. In actual practice, the government often intervenes in enterprises' production management to achieve its own social-economic goals, and when government revenues fall short, it will squeeze more money out of the state-owned enterprises. Reform of the state property administration system must first straighten out this relationship. By separating the government's administrative function and state property management function, state properties can be put to independent use, and state-owned enterprises can become bona fide legal entities and market competitors with "four abilities" [able to make their own management decisions,

take care of their own profits and losses, initiate their own development, and discipline their own behavior] and will no longer exercise administrative functions. Profit generated by state properties will be collected separately, spent separately, flow into separate channels from taxation and will no longer be put into the "financial rice bowl"; it will be used to put the state properties to work again.

**II. The Relationship Between the State's Ultimate Ownership Rights and Enterprises' Ownership Rights as Legal Persons**

The socialist market economy requires the proper handling of the relationship between the state's ultimate ownership rights and enterprises' property rights as legal persons. From the property rights standpoint, complete ownership rights include management rights. If the state controls all the ownership rights, enterprises will have little or no management rights. If ownership rights exist only outside of enterprises, they cannot make independent management decisions or take care of their own profits and losses. Therefore, we must consider China's realistic situation and come up with a new interpretation of state-owned enterprises' ownership rights, separate ownership rights in state properties from the state's ultimate ownership rights and enterprises' ownership rights as legal persons, and integrate the protection of the state's ultimate ownership rights with enterprises' ownership rights as legal entities. The state's ultimate ownership rights refer to the state's actual rights in enterprises' state properties by right of possession. Enterprises' ownership rights as legal persons refer to the state's consignment of some of the state properties to enterprises, giving them full management rights, and making enterprises responsible for the preservation and appreciation of the assets' value. Once enterprises have property rights, first, they will have ownership rights to back their management rights. As legal persons, they will have the power to allocate and dispose of the assets as they see fit and will become bona fide "legal entities." Second, it will change the old situation where power never reached enterprises but was retained by higher levels, which not only kept enterprises within the grasp of administrative interventions but also made them dependent on the administrative departments. Third, it will help solve the current problems caused by the absence of real property rights over state properties and by enterprises' lack of self-discipline. Lastly, the state has ultimate ownership rights in enterprises' state properties and has limited responsibility in the portion of state properties they have entrusted to enterprises' management, and this helps enterprises take care of their own profits and losses and let the superior eliminate the inferior enterprises.

**III. The Relationship Between Administration of State Properties and Management of State Properties**

The utilization of state properties as a system consists of administration and management of the assets which are two functions of different substance and nature. Administration and management generally should be separated. The administration of state properties is an administrative task and is a macroeconomic administrative function. Primarily, it makes proposals on important general and

specific policies and laws and regulations pertaining to the management of state properties to the state; formulates rules and regulations and systems pertaining to the adjustment of the mix of state properties and to the use of profit generated by those assets; empowers or entrusts various units with the management of state properties; determines the methods by which state-owned assets should be managed; designates the state property owner's representatives; examines and supervises the preservation of value and propagation of state-owned assets. The management of state-owned assets refers to the management of capital. It is a microeconomic function. The main task is to conduct business according to the state's general and specific policies, follow the market direction, and make maximizing the propagation of state-owned assets the goal, so as to allocate resources even more effectively, recombine resource even more efficiently, and manage production even more profitably. If we mix administration and management, if the administrative departments are also in charge of management, it can only result in the failure to separate government and enterprises, which will dampen enterprises' enthusiasm.

#### **IV. The Relationship Between Increasing the Use-Efficiency and Optimizing the Mix of State Properties**

The existing state property administration method emphasizes tangible goods; it emphasizes the creation of productive capacity and the production of material goods and pays less attention to the utilization of the assets' value. The existing state property administration system in fact is a separatist system that pits the departments against the localities. Departments and localities often cater to their own needs in allocating resources and seldom optimize the property mix based on the overall social-economic goals. A system that takes care of the tangible aspects of state properties and which is based on separatism prevents proper circulation of the stock of state properties and hinders the optimal allocation of the incremental assets, so that many assets are idled in some enterprises and industries while others are facing serious shortages. This is one of the main reasons for the state properties' poor use-efficiency.

The socialist market economy requires that we put the state properties to better use, so that through the continuous turnover of capital, expanded reproduction can be achieved to maximize propagation. The utilization of state properties does not refer to their utility in tangible form but their utility in value form. It is not the exclusive use by the departments and localities but liberal use that spans different industries, different regions, and even national boundaries. Adjusting and utilizing the state-owned assets properly, optimizing the property mix, and improving the overall use-efficiency and profitability require close cooperation among the relevant departments. The macroeconomic regulation and control departments should utilize tax rates, interest rates, exchange rates, and other economic levers and promulgate scientific industrial policies to guide the proper allocation of resources. The state property administrative departments and management

units should step up the readjustment of the mix of state properties, particularly recombine and readjust the stock of assets. Key state-run enterprises that are losing heavily but meet the needs of the state's industrial policy and are expected to be fairly profitable in the future should be given sufficient capital subsidy. Enterprises that are clearly inefficient and are in great difficulty should be merged or leased where appropriate. Enterprises that have more debts than assets and which are clearly hopeless should be allowed to declare bankruptcy or be auctioned off where appropriate. Through these measures, we can enliven the stock of assets and optimize the property mix and improve the state properties' use efficiency and profitability.

[14 Jun 93 p 1]

#### **[Text] Several Suggestions on Restructuring the State Property Administration System**

State properties are the social wealth which the people of all nationalities and races have accumulated under the leadership of the Chinese Communist Party after several generations of bloody sacrifices and arduous struggles. They are our material base and play a dominant role in the development of the socialist productive forces. The central goal in establishing a state property administration system and management method compatible with the socialist market economy is to increase the state properties' efficiency and profitability. The earlier articles already discussed the need for a property rights concept and several relationships that require proper handling when sorting out property rights. This article sums up ideas gathered in a survey on the restructuring of the state property administration system and offers the following suggestions:

##### **I. Establish a Comprehensive Commission To Centrally Control and Coordinate the Administration and Utilization of State Properties**

In view of the fact that state properties are scattered among all trades and industries and the manipulation of those assets involve the administration of personnel, finances, and materials, and if we look at the actual installation of state organs, it is difficult to put them under the control of any one department. But overly decentralized administration of these assets cannot be allowed to go on. Therefore we suggest that, based on the principle that the state has ultimate ownership rights and that management rights should be exercised at different levels, we set up a state property administration commission at a level below the central government level and below the provincial, autonomous regional, and municipal government level and permit the relevant parties to participate. The commission will be responsible for making decisions on important general and specific policies and coordinating the relationship among various departments and for determining the different ways the state properties should be managed, appointing the property owner's representatives, determining whom to empower and entrust with state properties to, and uniting property administration with personnel administration. It is responsible for administering the profit earned by the state properties and for guaranteeing the preservation and propagation of the state properties.

There will be offices set up under the commission. They can be created by reorganizing existing state property administration organs.

## **II. Entrust State-Owned Enterprises With Property Rights, Giving Enterprises Ownership Rights as Legal Entities**

In order to turn enterprises into bona fide "legal entities and market competitors capable of making their own management decisions, taking care of their own profits and losses, initiating their own development, and disciplining themselves" as demanded by the 14th National Party Congress, we must give enterprises ownership rights as legal entities. One way is to let the state property administration commission entrust the property rights to enterprises, so as to unite the legal entities' ownership rights and management rights at the enterprise level. Most state-owned enterprises should adopt this basic property management format. As a first step, we suggest selecting several hundred or even a thousand large and super-large enterprises or enterprise groups nationwide to pilot the system. Among the entrusted enterprise, those that are wholly state-owned may set up administrative committees; those that have mixed economic components may set up boards of directors. The administrative committees and boards of directors represent the owner of enterprise assets. The state-owned asset administration commission entrusts and consigns the assets to them and appoints the committee chairman and the chairman of the board. The administrative committee and board of director may appoint the general manager who will be in charge of business operation. Part of the profit generated by the state properties should be kept by enterprises as capital fund; the rest should be handed over to the investors. Considering the heavy historical burdens and the excess debts of the state-owned enterprises, especially the large- and medium-sized enterprises, at least for now, we should let enterprises keep all or most of the funds, so as to give them the financial strengthen to improve and grow. At the same time, we should also consider the interests of the state and localities and, depending on the actual situation, withhold the necessary funds for implementing the industrial policy and making structural adjustments, so as to increase the state properties' overall use-efficiency. As enterprises gain property rights, a strict responsibility system should be imposed on the enterprise leaders. Most enterprises should implement the asset management contract responsibility system to tie the managers' and workers' interest to their performance in preserving and propagating the value of state properties, so that when one gains, they all gain, and when one loses, they all lose.

## **III. Set Up Several Asset Management Companies**

Asset management companies are legal entities entrusted or empowered by the state property administration commission specifically to put the state properties to work and to participate in fair market competition. They have no administrative functions, nor do they have business management functions. They should make raising the state properties' operating efficiency their standard and may

span different trades and industries, departments, and even regions. This type of property management company and the production and circulation enterprises may be linked together by the assets, via controlling interest or stock participation, or as parent company and subsidiaries. These companies may be created in two ways: One, when the entrusted large enterprise groups grow bigger and stronger, they can gather many related enterprises together through stock participation, controlling interest, alliances, and mergers to manage their assets. Two, we can select some qualified companies from among the existing national companies and investment companies and reorganize them into holding companies or jin'e chigu [6855 7345 2170 5140] companies. Three, in some cases, small- and medium-sized state-owned enterprises not absorbed by the first two types of companies may also be entrusted to manage the properties. Some may have to go the way of allied companies via market competition to form property management companies. Four, we must tighten control over the state properties in shareholding enterprises and Sino-foreign joint ventures. We can consider separating out the organs that manage enterprise state properties from the existing administrative departments.

## **IV. Set Up a State Property Utilization Supervisory System**

After the state properties are entrusted to enterprises for management and property rights are put in their hands, to safeguard the rights and privileges of the state's ultimate ownership rights, we should set up a state property utilization supervisory system. Primarily we should set up a board of supervisors in enterprises. It should be made up of enterprise representatives and representatives from the relevant departments and society at large. Its duty is to supervise, examine, and evaluate the way enterprises put the state properties to work; to supervise and evaluate the enterprise managers, and to make suggestions to the relevant departments on manager appointment, dismissal, reward, and punishment. The board of supervisors is not an enterprise decision-making organ; it should not interfere in enterprise production management. As the government departments' functions change, the original specialized departments will no longer manage enterprises directly. They will primarily be responsible for planning, coordination, supervision, and services. In order to make this change a smooth process, we suggest that they take responsibility for supervising the utilization of state properties. We should set up a board of supervisors administration bureau or similar organization in the specialized departments to take charge of the setting up of the boards of supervisors and appoint representatives, and after it learns more about the workings of the state properties through the board of supervisors, it can make suggestions and proposals to the pertinent authorities.

## **V. Do A Good Job With the Other Necessary Reform Tasks**

Smoothing enterprise property rights relationships and setting up a new state property administration system that suits the socialist market economy is a systematic project.

It must be complemented by other reforms in society as a whole. First, we need to reform enterprises' accounting system. Early this year, the State Council promulgated the "Enterprise Accounting Standards" and "General Rules on Enterprise Finance." They clearly stated the principle of capital preservation and other relevant accounting principles. They have created the conditions for the safe maneuvering of state-owned capital and the preservation and propagation of its value. The "Standards" and "General Rules" will take effect on 1 July. They must be diligently implemented; we must not be perfunctory or pretentious. Second, we must strengthen basic property administration, such as taking inventory and verifying fund sources, appraising property value, and registering property rights, and we must do a proper job. Third, we should accelerate the development of a socialist market system that is unified and open, fair and competitive, and equipped with all the necessary rules and regulations. In particular, we must speed up the development of markets for property rights, funds, technologies, information, labor and services and other important factors. Four, we should actively develop property appraisal offices, accounting practices, legal practices, and other property rights services organizations. Five, we should strengthen the system of economic laws, especially laws and regulations pertaining to enterprise combination, merger, bankruptcy, and auction and other property rights transactions, so as to perfect the socialist market economy's legal system.

Restructuring the state property administration system is a profound reform process. It involves changing people's ideologies and concepts, the reorganization of government organs, and reform of the enterprise system, and it touches on the power and the interests of many, and therefore we must fully ascertain the arduous nature of this reform. In recent years, scholars and theoreticians have conducted many useful theoretical studies and have made many important contributions. But due to the lack of practice in this area, it is still difficult to reach a consensus on some of the issues. Therefore, this reform will go through a repeated process of practice and learning and practice and relearning. Today, some provinces and municipalities have boldly embarked on the practical road. This no doubt will facilitate the in-depth restructuring of the state property administration system. We believe that under the leadership of the Party Central Committee and the State Council, through practice and by learning from our experiences, we will be able to set up a state property administration system with Chinese characteristics which is compatible with the socialist market economy and ensure the state-owned economy's dominant role in the socialist construction.

## PROVINCIAL

### Statistical Report on Ningxia Economic, Social Development

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2 Jun 93 p 2

[Article by Ren Qixing (0117 0796 5281), Vice Chair of Ningxia Autonomous Region and Director of the

Regional Planning Commission: "Report on 1992 Domestic Economic and Social Development and 1993 Draft Plan (Abstract)"]

### [Text] 1. The General Situation of Domestic Economic and Social Development in 1992

Last year, under the leadership of the Ningxia Party Committee and government, people of all nationalities in the Ningxia region conscientiously implemented comrade Deng Xiaoping's important speech during his trip to the south China and the spirit of the 14th National Party Congress. According to the "three favorable" principles, they renewed their ideas, expanded their thinking, grasped all opportunities and took firm action to push the domestic economy into a new period of accelerated development. The region's GNP was 7.6 billion yuan, a 7.5 percent increase over the previous year. Every kind of business in society had obvious achievements.

#### (1) Agricultural and Rural Economic Development in a Year of Disasters

Last year, the mountainous southern area suffered crop damage from an unusually long-lasting and serious drought and waterlogging, while the plains area suffered serious losses from freezing. Each prefecture, municipality and county organized conscientiously to combat the disasters, so that the year's gross grain production still reached 1.868 billion kilograms. Though this was 6.5 percent less than the 1991 figure, it was still the largest third bumper harvest year in the Ningxia region with 62.40 million kilograms of feed, and 454,000 tons of beets. The outputs of meat, milk, aquatic products and fruit were all record-setting.

The year also brought some accomplishments in capital construction for agriculture. Last year, the first phase project of the agricultural joint development plan for the Great Bend of the Yellow River [Huang He] was successfully finished, checked, and accepted. The jointly used section of the Yanhuanding Yanghuang project was basically completed. Construction of water conservancy works has continued, which when completed will have a capacity of 100.33 million cubic meters. The new, enlarged, irrigation area was 85,200 mu, the improved irrigation and drainage area was 1.125 million mu, and 300,000 mu of medium and low-output fields were transformed. There were 341,600 mu of "three land" drylands built in the mountainous area, 536.7 square kilometers of which have been brought under flood control. Thirty-one people and animal diversion works were built for 68,800 people and 171,200 sheep, to resolve their water problems. Last year, 21.95 million yuan was invested on successfully developing the Yellow River dredge project, completing 3.47 million cubic meters of earthworks.

There have been encouraging trends in development of township and town enterprises throughout Ningxia. Last year, their gross annual output value was up to 2.13 billion yuan, an increase of 31.6 percent over the year before. The taxes on profits which these enterprises turned over to the state increased by 35.6 percent and 22.4 percent, respectively.

Construction proceeded smoothly in villages, towns, and the comparatively well-off experimental villages. All towns in the region are wired for electricity, and Wuzhong and Qingtongxia have realized electrification, further improvements in the living standards and general appearance of the villages and towns.

#### (2) The Pace of Industrial Manufacturing Accelerated, and Economic Benefits Raised

Last year, the volume of industrial output was 8.39 billion yuan at the town level and higher, an increase of 13.2 percent compared with the year before; this was a 7.9 percent increase over the year before that. When industry at the village level and below is added, the gross output value was 8.94 billion yuan, a 14.1 percent increase over 1991. The output volume of industrial enterprises within the region's budgetary plan was 3.26 billion yuan, which was a 19.1 percent increase over 1991. The output of major products increased at an even greater rate, for example: the volume of electrical power was 7.66 billion kilowatt/hours, an increase of 21.4 percent; the volume of crude oil processed was 407,200 tons, an increase of 99 percent; aluminium was 73 thousand tons, an increase of 9.6 percent; there were 1.0358 sets of tires produced, an increase of 37 percent; the volume of cement was 1.1354 million tons, up 16.7 percent; the volume of fibre was 4,200 tons, an increase of 17.4 percent; the volume of knitting wool was 2,082 tons, an increase of 40.3 percent; the volume of machine made paper and cardboard was 98,000 tons, up 17.4 percent; the volume of sugar was 58,100 tons, an increase of 14.1 percent; the volume of machine tools was 2,000, an increase of 73.7 percent. Because of limited railway transport, there was a reduction last year in the volume of crude coal to 13.58 million tons, down 3.2 percent compared with the year before.

The Departments of Transportation, Communications, and the Department of Posts and Telecommunications have given a maximum effort in support of economic growth. The year's volume of railway freight transport was 15.02 million tons, an increase of 2.4 percent; there were 1.57 million tons in road freight transport shipped, an increase of 16.3 percent; there was 66.54 million yuan in postal and telecommunications business last year, which was an increase of 26.1 percent.

There were clear increases in industrial economic benefits. In 1991, the economic benefit composite index number of industrial enterprises doing independent business accounting in the region was 75.7 percent, which was 5.3 percent better than the previous year; the rate of production and marketing improved to 95.4 percent from 92.5 percent in 1991; the capital benefit and tax rate increased 18.86 percent from the year before; industrial all-personnel labor productivity, which is based on net value of product output showed an increase last year to 7,013 yuan, compared to 6,184 in 1991, a 13.4 percent improvement. All industrial enterprises in the region's budget plan realized an increase of 30.09 percent in taxes over the year before, among which was a 25.47 percent increase in benefits.

At the same time that enterprises were vigorously promoting making up their deficits and increasing their surpluses, they attained new technical achievements. In 1992, the region accomplished 724 million yuan in investment in technical renovation and transformation, up 32.8 percent over 1991; there were 93 technical transformation projects completed, 14 technical import projects, and 310 project for developing new products. Thirty-four key projects were successfully checked and accepted, and put into production. Enterprises have made definite progress on adjustment of the product mix.

#### (3) Fixed Capital Investment Increased in Scale; New Developments on Key Projects And Construction of Basic Facilities.

In 1992, Ningxia region fulfilled 3.89 billion yuan fixed capital investment, increased 32.2 percent to the year before last year, a group of focal point project developed successfully. On construction of energy resources, Linwu coalfield fulfilled 163 million yuan, improved developing speed; the first term project of Daba electric factory has finished, two 300 thousand kilowatt generating units gradually started formal operation, the transformer project between Daba and Guyuan has begun to be constructed; the tenth term project of Shizhuishan electric factory (the tenth generation units of 50 thousand kilowatts) has been set up. On transportation, the Ningxia part of Baozhong railway has fulfilled 301 million yuan's investment; the multiple track between Zhongwei and Gantang and Lonwu railway has begun to construct; road construction fulfilled almost 150 million yuan's investment, increased 18 percent to the year before last year. Such focal point projects as Liupanshan tunnel, Yingchuan the Great Yellow river especially big bridge, the Yinggu first class road, Yingping, Shiying road and Ruxi coal transform line, was constructing with high speed and high quality. Post and telecommunication has fulfilled 92.62 million yuan's investment, more than 7000 new sets of city call telephones have been finished. It realized automatic city call all over municipalities and counties in region, among it, program control telephones occupied 52.9 percent of the total volume.

There were also some projects that had set up and gone into operation: Fenigou coalfield(150 thousand tons of raw coal/year), Jinghe Muslim Meat Associated Factory (1290 tons cut beef/year, 548 ton cans/year), Ningxia Glass Factory (324 thousand weight box plate glass), Yingchuan polyester Fibre Factory's industrial silk project (added 2000 tons), city water supplement ability 38 thousand tons/day, city liquefied petroleum gas storage ability 2400 tons, hospital bed 416, etc..

#### (4) Reform and Further Openness Are Developing to an Unprecedented Scale and Depth.

Last year, Ningxia showed new progress in its reforms. Building the household responsibility system which links remuneration to output, the double operation system, the science and technology contract group and the agricultural socialized service system were all perfected and deepened to promote the development of a product economy.

According to the needs of "small structure, big services," the Region has selected three counties as test sites to carry out county-level structural reform, transforming them into "light styles, high efficiency."

Reform of the urban economic system has focused on two points: transforming the enterprise operational system, and the governmental exchange function. The Planning Department has transferred the power to review and approve fixed capital to lower administrative levels, greatly reducing the types and limitations of plan administration. The Labor and Human Affairs Department has made great strides in reforming the use of laborers and their wage distribution. They promoted price reform, with unified price controls for capital goods cut from 312 varieties to 27, and goods for industrial consumption goods reduced from 628 kinds to 9. There has also been system reform in accounting and taxation, finance, business, goods, and foreign trade.

Social security system reform has been even more widespread. During the first part of last year, the unified administrative pension for state owned enterprises was passed from municipal and county administration to regional administration. Test sites have started for unemployment insurance covering enterprises owned by all the people, collectively owned enterprises, and privately owned enterprises, the "three types of investment" enterprises. Reforms in the housing system have spread from individual sites to entire areas. By the end of last year, Ningxia had approved 10 municipal and county housing reform plans.

There was even greater progress in opening to the outside. Last June, the Ningxia Autonomous Region held a conference on opening to the outside, which established a series of policies to open even more. It approved the construction of a high and new technical industrial development area at Yingchuan, an experimental depressed economic development area at Guyuan, a depressed economic assistance developmental area at Longhu, etc. In these areas, there were 84 new Chinese-foreign joint venture projects approved. These will utilize \$15.17 million in foreign loans, an increase of 43.2 percent over the previous year. They accepted \$6.27 million in international assistance grants, and implemented the "three points, one line" strategy completely. Some large- and middle-sized enterprises made progress in putting windows in coastal cities to building enterprises in foreign countries. By the end of the year, nine enterprises were operating outside of China. Foreign trade became increasingly active. The volume of foreign trade exports was up to \$109.48 million, an increase of 23.5 percent over the year before. Included in this was Taixi coal, which earned more than \$40 million from 700,000 of exported coal. The total imports for the entire year were \$57 million, a one-fold increase over 1991.

**(5) Construction of the Market System Made Great Strides, With Urban-Rural Trade Unprecedentedly Active.**

Last year, the entire region invested more than 80 million yuan to establish new markets or expand older ones. Today,

there are in Ningxia a total of 250 merchandise country trade markets of various kinds, including 11 markets for production materials. The market for capital is in its initial stages, and Ningxia now has established call money relationships with 17 provinces or regions nationally. Ningxia has 73 securities trading organizations, 73 technical exchange organizations, 35 real estate development enterprises (24 of these operate real estate businesses), and three real estate market exchange organizations.

The year's retail merchandise sales volume was 3.8 billion yuan, an increase of 13.2 percent over the year before. The trade volume was more than one billion yuan. The price index was up 7.4 percent over the previous year.

**(6) There Were New Achievements in Science and Technology, and Education, While Such Aspects of Society as Culture, Health, Sport, etc., Developed Thoroughly.**

Science and technology showed obvious achievements. In 1992, there were 40 key scientific and technical projects, and 12 of these were at the national advanced level. There were 186 regional level scientific and technical research achievements, and two of these received national awards.

Education developed at all levels and in all categories. Ningxia University enrolled 2,722 students, an increase of 17 percent over 1991. Secondary vocational education and popular duty education have progressed as well. The pre-school enrollment rate for children was 94.58 percent, proportion of students entering elementary schools improved from 85.2 percent in 1991 to 87.4 percent. The "231 project" is being implemented more thoroughly, with a total of 125,000 people attending literacy classes, 75,000 people left the ranks of the illiterate, and about 255,000 peasants have mastered two or three items of applied technology.

There were obvious achievements in birth control work. The birth rate has decreased 20.11 per thousand, the population's natural rate of increase has been reduced to 14.75 per thousand, a decrease of 1.85 and 2.08 per thousand respectively, the lowest level in recent years. At yearend, the total population was 4.872 million.

Such fields as education, health, journalism, publishing, broadcasting and television, sports and environmental protection, etc., all showed new development.

**(7) Urban and Rural Residents Enjoyed a Higher Standard of Living.**

In 1992, the average income in urban areas was 1,603 yuan per capita. Deduct the price factor, and that is a 4.1 percent improvement. There were 38,000 new urban workers, reducing unemployment by 5.3 percent in the year before last year to 4.1 percent from 1991. Because of the year's agricultural disasters, there was less grain and oil produced, which reduced the peasants' per capita net income from primary industry; but the income from secondary and tertiary industry showed a 23 yuan increase over the previous year. The peasants' per capita net income for the entire year was 618 yuan, deducting the price factor, almost the same as in 1991. At the end of the

year, the total savings deposits of both urban and rural residents was 5.03 billion yuan, up 23.4 percent over the previous year. Ningxia rebuilt 203,000 square meters of dangerous dwellings, and built 1.219 million square meters in housing areas. There were 3.643 million square meters in rural housing constructed. There were more improvements in both urban and rural housing.

## 2. 1993's Principal Economic Trends and Macroeconomic Goals Forecast

Based on the current situation, we forecast Ningxia's economy will probably continue to improve rapidly in 1993. Vigorous investment will still be needed in 1993, fixed capital investment will maintain its rapid growth, a batch of major projects will successively get underway, affecting the development of all economic sectors, but initially only areas such as heavy industry and construction. Increased urban and rural household incomes will spur demand for increased consumption. There will be abundant opportunities and potential for increased exports, and the demand to export will continue to grow. Looking at the supply situation, agriculture can look forward to recovering faster from last year's downturn, provided there are no major disasters this year. Moreover, if there is sufficient storage, the supply of major agricultural products can meet the needs. The supply situation for energy resources is improved, with unusually great potential for the production of coal. We have invested substantial sums in the electric industry in recent years, and it can now satisfy Ningxia's needs. At the same time, a group of capital construction projects and technology replacement projects which have been in development in recent years will gradually produce and make profits, bringing more than 600 million yuan in product output value. However, the problem of limited rail transport will be more prominent in 1993, with transport in even shorter supply than before. Meanwhile, there is a substantial shortage of funds for construction. In general, there will be both favorable and unfavorable conditions for domestic economic development in 1993. We should seize the opportunities, arouse enthusiasm, press forward in the face of difficulties, speed up the changeover to a market economy, accept the challenges of "rejoining GATT," accelerate the pace of reform and opening and modernization in order to propel domestic economic development to a new high level as soon as possible.

In 1993, this is the thought that will govern planning for domestic economic and social development in the Ningxia Autonomous Region:

*Vigorously, totally and correctly carry out the spirit of the Fourth Party Congress, the First Plenary Session of the Eighth Party Congress, and Comrade Deng Xiaoping's important speech in south China; implement thoroughly the Ningxia-Yellow River economic development strategy; according to what is required in gradually establishing a socialist market economic system, radically transform thinking, make bold efforts, increase reform, increase the scale of openness, improve environmental conditions, breed*

*markets, enliven circulation, promote economic development in the direction of improving quality, perfect organizations and increase benefits. This will bring about explosive progress in Ningxia's economy and society.*

The major plans and objectives of domestic economic and social development in 1993 is:

- (1) GNP will increase by 9 percent, a planned 8.5 billion yuan. In this, the primary industry, agriculture, will show a 5 percent increase (the gross agricultural product will increase 6 percent); the secondary industries, factory production and construction, will increase by 10 percent (the gross industrial product will increase 12 percent, breaking through the 10 billion yuan barricade); tertiary industries will increase by 10 percent. We will try for a more rapid increase in the GNP, getting it up to 11 percent.
- (2) The local fixed capital investment scale for the entire society will be 2.569 billion yuan. Based on comparable arrangements, it will show a 47.7 percent increase over last year's primary plan; this includes 1.07 billion yuan invested in capital construction of state-owned units, 600 million yuan invested in technology replacement, and 640 million yuan invested in collective and private enterprises, private enterprises. In addition to these, there will be 550 billion yuan in construction investment by the central government (this excludes investment in supra-provincial projects).
- (3) An increase of 1.4 billion yuan in new bank loans. We will try to issue 200 million yuan in bonds and 30 million yuan in stocks. Local accounting income will be 855 million yuan, a 10.7 percent increase.
- (4) Gross exports will be 120 million yuan, an increase of 9.6 percent from the year before; at the same time that we are exporting, we will expand essential imports.
- (5) The total value of retail commodity sales will go up to 4.2 billion yuan, a 10.5 percent increase.
- (6) While accelerating the pace of price reform, we should control the general inflation rate for retail commodity sales, keeping it at about 6 percent.
- (7) We will attempt to improve economic benefits. Energy consumption per 10,000 yuan of GNP will be reduced from last year's 9.97 tons of standard coal to 9.7 tons, a 2.7 percent decrease; the product sales rate for independent-accounting industrial enterprises at the town level and above will improve to 96.5 percent from last year's 95.4 percent; the monetary circulation cycle will improve from 1.3 times to 1.35; all-personnel labor productivity will improve 10-20 percent depending on the industry.
- (8) The growth rate for natural births throughout Ningxia will be held below 16.09 per thousand. The predicted total population by the end of year is 4.9762 millions.

## 3. Key Points and Major Goals for Domestic Economic and Social Development in 1993

- (1) Focus on "two high, one advanced" agriculture and small town enterprise, for comprehensive development of the agricultural economy.

This year, the Ningxia Autonomous Region set its total grain output plan at 1.95 billion kg, oil materials at 65 million kg, and beets at 600,000 tons.

At the same time that we are insuring the stability of increases in grain product output, we will make positive adjustments in the organization of planting activities. We will change the traditional "two units" organization into "three units" to develop three-dimensional agriculture and maintain improvements in the comprehensive use rate and exchange rate for crops. We will emphasize building a grain base, an oil plant base, a vegetable base, a forest products and fruit base, a meat, poultry, and egg base and an aquatic base. This will improve the scale of operative benefits. This year, we plan for an output of 79 million kg of meat products, 14,000 tons of aquatice products, and will plant 400,000 mu of forests.

In order to stronger develop agriculture's staying power, we must never cease the comprehensive development of agriculture. This year, we will continue carrying out the Yan-Huan-Ding-Yang-Huang engineering project, the second phse of the comprehensive agricultural development project in the Great Bend of the Yellow River, the first phase of the World Bank loan project. We must make vigorous efforts on the Guyuan, Pengyang, Longde counties' jointly managed "4071" project with the assistance of the United Nations grain and agricultural organization. Zhongning, Zhongwei, and Yongning, are preparing to implement the Qingtongxia four cities and counties' land replacement project with the assistance of the European Economic Community.

Keeping on governing work on the Yellow River, we should comprehensively finish the firming engineering project for flood protecting ban in Ningxia part of Yellow River. Town and township enterprises are the most important increasing point of country economic. The development of county local economic should turn to the way which focus on town and township enterprises, grasping the opportunity of the central government's support to develop town and township enterprises in middle and west China, to promote gross whole regional value of town and township enterprises being 2.78 billion yuans increase 30.5 percent.

(2) There will be a special emphasis on capital construction of facilities and capital construction in industry, to strengthen the staying power of economic development.

In building our transportation and telecommunications, we must actively assist the national acceleration of construction of the Baozhong line and Baolan electrification project. The branch line of the Lingwu railway should be built up to the Yellow River, especially to its great bridge, and the 10 to 70 km line under it completed. We should continue speeding up work on the projects which are now under construction: one tunnel, one bridge, and four roads. These projects include the 1 km tunnel through Liu Pan Mountain, the main section of the Yinchuan Yellow River bridge engineering project and the 37 km first class road in Yinggu. Construction will begin on Yinchuan's Hedong Airport. In posts and telecommunications, we will help to

get underway the "Jing-Hu-Yin-Lan" first class main line light cable project and the "Xi-Lan-Wu" first class main line light cable project which will cross the southern mountainous area. We have projects to increase to 19,000 the number of telephones in the cities of Shizhuishan, Pingluo, Qingtongxia, and Zhongwei, and a project to install 1,967 mobile telephones in Yinchuan.

In building our energy resources, we will begin work on the second phase of the Daba Electrical Power Plant project, focusing on the Daba-Guyuan power transmission project, to ensure that electricity can be transmitted to the Baozhong railway on time. We will continue construction and replacement projects for the Lingxing big well in the Lingwu coal area, the number one well in Yangchangwan, the Baijigou coal field, the Rujigou coal field, the Pingluo County coal field, etc.

In raw and processed materials, we will construct a chemical fertilizer expansion project at the Ningxia Chemical Industrial Plant, which will utilize natural gas from the Shaan-Gan-Ning Basin. We will try to begin construction on the gas piping engineering project from Jingbian to Yinchuan and the third phase of the Qingtongxia Aluminum Plant project. We will finish various expansion projects at the Yinchuan Chemical Industrial Plant, the Ningxia Cement Plant, the Ningxia Ferroalloy Plant, and the Yinchuan Sodium Plant's project for metallic sodium.

In water conservancy construction, we will focus on the Yan-Huan-Ding-Yang-Huang engineering project, trying to complete the main section of this project before year's end, and open all water lines. Construction will proceed on the Shixing band irrigation extension project, comprehensive agricultural development in the irrigation area and control of the Yellow River, etc. We will continue the work-relief program to strengthen agricultural capital construction in the mountainous area. For the entire year, there will 196,000 mu in newly irrigated land, and 290,000 mu in improved irrigated lands.

As for constructing basic facilities in urban areas, we will focus on providing water supplies to Yinchuan's old city and north of the new city; on the Yellow River Water Plant in Shizhuishan, water supplies to Qingtongxia, drainage works and flood protection works in Yinchuan new city, the Dawukou district of Shizhuishan, the Pingluo and Haiyuan city and county, etc. We will continue to arrange the construction of central town markets.

In processing industries, the main projects will be: start construction on the Ningxia Paper Manufacturing Plant, the Ningxia Flour Mill, a project to retread 300,000 sets of heavy Ziwu tires and 300,000 sets of automobile light Ziwu tires at the Yinchuan Rubber Plant; a replacement project for oil machines and railway bearings at the Northwest Bearing Plant; the Northwest Coal Machinery Plant's project for large, standard roll chains and comprehensive digging peripheral equipment; the Ningxia Steel Mill's project to upgrade 10,000 various shapes of steel wire; the Shizhuishan Ceramics Plant's project for strengthened pottery and hygienic porcelains; an upgrading project at the Yinchuan Electrical Wiring Plant; a project for making

high-strength cord fabric at the Yinchuan Polyester Fiber Plant; a 5,000 spindle refurbishing project at the Yinchuan No. 2 Wool Spinning Mill; an expansion project at the Qingtongxia Paper Mill, etc.

In 1993, there are 13 items listed as national or regional priority construction projects, including: the national priority construction project in the Lingwu mine area (including the Lingwu railway branch line), and the Baozhong railway; regional priority construction projects are the Yan-Huan-Ding-Yang-Huang engineering project, the second phase of the Ningxia Cement Plant expansion project, the Yinggu road (which includes the Yellow River bridge at Yinchuan), a tourist guest house, upgrading of the Northwest Bearing Plant, expansion of the Ningxia Chemical Industry Plant, the Ningxia Paper Mill, the second phase of the Daba Engineering Plant, the Yinchuan Rubber Mill's Ziwei tire retread project, the Yinchuan Dairy Products Plant, and the Yinchuan Hedong Airport.

Listed as priorities earlier in 1993 were: the key flood control project at Daliushu, the Shapitou key water conservancy project, the Liupanshan diversion works, the Ningxia to Chuaner power transmission project, the natural gas chemical industry project, the Liupanshan cement factory, the Ningxia Chemical Fiber Knitting and Dyeing Mill, the Ningxia Emery Wheel Plant, the Ningxia Telecommunications Cable Plant, the 10,000 ton metal sodium project, the Zhongwei Yellow River bridge, etc. Building on the foundation of our experience, we will organize our strength to further study in what directions we should extend Ningxia's mainstay industries.

### (3) Improve our structure, increase benefits, organize production well.

Although industrial production in Ningxia has entered a new period of rapid growth; however, if we want to really enter a favorable cycle, we must grasp thoroughly our structural adjustment and raise benefits.

We will continue to implement the "double increase" plan, speeding up technological transformation and encouraging enterprises to make technological progress. According to the principle of "Outstanding priorities, guarantee continued construction, try to get special items and give precedence to importing technology," we plan to arrange a 64-item technological transformation project costing in excess of 5 million yuan; included among these are 25 special national projects, 39 local projects, 30 imported technology projects and 23 priority developments. Half of these projects will be built and put into operation within the year.

We should continue going from deficits to profits. This year, the region's budgeted industrial enterprises have the following goals for turning from deficits to profits: a rise in the comprehensive benefits index of 5 percent; realize tax increases of 12 percent, among which profits will increase by more than 10 percent; losses by budgeted enterprises will decrease 5 percent; control will be within 20 percent; operational deficits will decrease 20 percent. According to the principle of sharing responsibility by levels, Ningxia

will stress turning light spinning and weaving systems from deficits to profits, taking firm control of the big deficit units (those in excess of 1 million yuan) and the big profit units (those in excess of 3 million). Every department, city, and county will classify and list deficit enterprises and then decide on points of emphasis to ensure that we all have firm goals, with quotas to the position, and responsibilities to the person.

In 1993, the total capacity of railway transportation in Ningxia will be 15 million tons, the same as in 1992. But the region's domestic economy will improve at a greater rate, creating a demand for an additional 1 million tons. So there is an outstanding contradiction in railway transport. In order to assure that the domestic economy operates normally, we should further improve the organizations of the railway transport system to obtain greater benefits from our limit transport capability. At the same time, we will adopt measures to distribute among railways and roads, reducing the burden on railway transportation.

### (4) Accelerate building the market system; make a major effort to develop tertiary industries.

To develop tertiary industries, we should stress developing the key factors in manufacturing putting basic industry and public business which have overall importance and influence for the domestic economy in a favorable position for development. We must pay attention to those businesses which are closely related to people's lives, and to booming city and township markets. Looking at the No. 109 national highway and the Yin(chuan)-Ping(liang) highway as spool thread, we will speed up building agricultural products trading markets on the two sides of it, creating the conditions for developing towards specific wholesale markets and futures markets. We will actively expand modernized circulation methods such as goods supply and transmission, setting up test sites for large scale goods supply and transmission centers. At the same time, we will over time develop some specialized futures brokering corporations. In building financial markets, the emphasis should be on autonomous region financial markets and two city, two location financial markets, gradually forming a regional, unified, open financial market system.

We have to set up and develop a technology market system. We will set up technology markets at Yinchuan and Shizhuishan, making maximum use of existing scientific and technical information organizations and scientific and technical centers, linked to each large technology trade organizations.

We must further develop the labor and personnel markets. Look upon the cities of Yinchuan and Shizhuishan as focal points, and progressively form regional unified and organized personnel markets. Every city or country which still lacks personnel markets must complete their preparation work for organizing these markets. We must do a good job on the Yinchuan personnel market and create the conditions for establishing similar markets at Shizhuishan and Wuzhong.

It is especially important that we set up information markets. We should link all separate information organizations into a network which will open to society, sharing their information resources. We must at the earliest set up an information market system which is effectively used and sensitively reflecting, to serve our enterprises in going to markets, and serving to establish an appropriate market economy circulation system.

Actively cultivate and develop a real estate market. Gradually standardize this market, promoting a land payment use system, setting up a Ningxia land exchange office, establishing and perfecting rules for selling or turning over land use rights, rules which are suitable to a market economy.

When we focus on constructing the market system, we should also make an effort to develop insurance firms, advertising agencies, human services businesses and travel agencies, etc. In the travel industry, we will complete the main building of the three star Ningxia Tourist Guest House. While continuing to improve the Lake Sha tourism area, we will build the Jingshui tourism area, the West Lake tourism area and the Huaxia western section television city. We will commence planning the Jingyuan Longtan tourism area.

(5) Seize opportunities, meet challenges, try to expand opening to the outside.

We will continue to implement the "three points, one line" strategy in the spirit of the conference on autonomous regions' opening to the outside. We plan for \$120 million in foreign trade exports this year. We will work on improving the quality and types of export products. While expanding exports of current merchandise, we can carefully develop new, cutting edge products for export which will be of extra high value and bring in foreign exchange. We will try to increase such undertakings as tourism, foreign contract engineering projects, labor contracting, etc., to earn foreign exchange from businesses other than foreign trade. The 1993 plan calls for the direct use of \$15 million in foreign capital and \$22.78 million indirectly. Use of a Japanese Heizihuankiu [phonetic] loan will accelerate construction of the project to manufacture 10,000 tons of special-shaped steel cable at the Ningxia Steel Mill. In addition, there is the female population project in Ningxia, assisted by Australia, and the Ningxia afforestation project using relief funds from Germany. We will conscientiously operate the "three types of capital" enterprises that already exist, not only paying attention to increase the number of these, but also to improving their quality. To improve the investment environment in Ningxia, we must establish an Yinchuan customs office as soon as possible. We will give close attention to setting up Ningxia representative offices in such places as Tianjin, Shanghai, Shenzhen, and Hainan, while also being careful to recover profits.

(6) Vigorously develop science and education to further the development of all facets of society.

Scientific and technical work in 1993 will focus on converting the achievements of science and technology into

concrete applications, in particular, applications to manufacturing and construction. We will concentrate our manpower, financial resources and material resources on putting into operation those 10 demonstration projects which have bright futures, high levels of technology, obvious economic benefits and wide effectiveness. This will assure the improvement of the low yield fields north of Yinchuan, with demonstrations of loose rice planting under dry conditions, of a 10,000 mu flue-cured tobacco field, promotion of energy saving in high energy consumption industries, a Chinese-U.S. joint venture industrial production project for decoloring active carbon in coal, etc. We will continue work on a batch of key scientific and technical projects, such as production of light textiles, researching and developing products for linking the machine and electricity industries, deep processing and applications for the coal industry, centering on key problems in Ningxia's economic and social development, searching for new breakthroughs. We should do a good job of operating Yinchuan's high and new technology industrial development area, continuing to implement the spark plan and torch plan.

We will conscientiously implement "Outline of China's Educational Development and Reform" issued by the Central Committee and the State Council, continuing to put education in a favorable strategic position for development. We must give special attention to basic education and vocational technical education. Higher education should perfect the structure of its curricula and majors, improving educational quality and the benefits which come from operating a school, while we steadily reform the enrollment distribution system. Adult higher education should be carried out according to the principle that teaching meets needs, paying attention to actual results, with the stress on training for posts. In 1993, the enrollment plan for ordinary higher education in colleges and universities will be 2,400 for the entire region, and that for ordinary middle specialized schools will be 4,200. We should continue to grasp the "231 project" conscientiously, based on overall past experiences, actively exploring and perfecting methods to integrate agriculture, science, and education as a whole, accelerating the pace of the work and improving the quality of education.

We will develop every social endeavor, such as culture, broadcasting and television, health, sports, etc. In addition, we will give especially close attention to construction of cultural, medical, and health facilities in the mountainous southern area. In 1993, we plan to build such projects as the Ningxia Museum Hall of National Cultural Relics, a Pengyang County movie theatre, a Jingyuan County hospital, Dawukou and Shitanjin area offices for family planning services, etc. We will continue to strengthen our birth control work.

(7) Continue to improve reform, while continuing to strengthen macroeconomic regulation and control.

Improving and accelerating reform of the economic system is an internal prerequisite for achieving all of our 1993 domestic economic and social development goals, and is a prominent need for steadily building a socialist market

economic system. We must begin with Ningxia's realities, do a good job of reform, forming a comprehensive, complete whole, strengthening and perfecting macroeconomic regulation and control to ensure coordinated economic development.

Planning is an important means of realizing macroeconomic regulation and control. We should be practical in changing our planning ideas and perfecting our planning methods, maximizing its own functions and uses. In 1993, the plan calls for further reductions in the types and indexes of domestic economic and social development in Ningxia. The plan issued reduces last year's 19 types to 12. In the 12 remaining plans, the indexes are reduced to a large degree. At the same time, we must strengthen our forecasts of market supply and demand, with supervision and analysis of the macroeconomic conditions, research on major economic policies, comprehensive application of economic levers, fund raising for key construction projects, guidance in social capital investment, etc. We will speed up function changes in planning departments, putting the actual stress on research strategies, setting plans, macroscopic regulation and control, achieving an overall balance, industrial policy, cultivating markets, key construction projects and regulation services. This will gradually bring about indirect regulation and control through economic policies, economic levers and economic laws and regulations.

We must improve and perfect macroeconomic regulation and control of the general scale of the fixed capital and investment structure, guarding against aimless establishment of large scale projects, low level duplicative construction projects, and the problem of benefits which are not appropriate to the scale of the project. Every prefecture, city and county, every department, should review new construction projects and planned new projects. They should examine and categorize these as clearly important or less important, urgent or not urgent, and for the situation regarding their capital, resources, market potential, and outside complementary conditions. Where uncertainties exist, these projects cannot aimlessly go into operation. We must strengthen our administration and guidance for development areas and the real estate industry. Real estate development projects should be listed in the fixed capital investment plan. Improve reform of the investment system to gradually establish a reasonably profitable investment and financial system. Logically determine the separate areas of investment, the scope and responsibility of the autonomous region and each prefecture, city, county, and enterprise. We will further perfect Ningxia's capital construction system, and concentrate on research for the method of "plowing earnings back into the business" in some areas of commerce, a cyclical use of some funds. We will vigorously implement the owner responsibility system, with governance by boards of directors and management committees to increase the experimental units for the stock investment system. We will set up a project information service system, a contract responsibility system, and a request for bids system, in order to maximize the market competition function.

We will seize the favorable opportunities and timing, speed up price reforms, and gradually set up price formation system which takes market supply and demand as its principal guide. This year, the price of all competitive products except the essentials of life and major industrial products of concern to the state's plan and the people's livelihood will be free, as will be Ningxia's control prices and fees which are closely related to people's livelihood. The price reforms which are related in all aspects to the regulation of the mass of the people's actual benefits, should be planned as a whole, with price adjustments carefully organized and appropriately regulated as to time and sequence. Every place and department should coordinate closely to ensure that major price reform projects be implemented successfully, in the attempt to keep the rising scale of prices within planned limits.

Honorable representatives: our goals for opening, reform, and social and economic development in 1993 are honorable and arduous and there is plenty of scope for our talents. We must conscientiously carry out the spirit of the 7th Party Congress of the Ningxia Autonomous Region, seizing the opportunities, accepting the challenges, overcoming the difficulties and doing practical work to promote Ningxia's internal development rapidly and well.

#### **Effect of New GSP Program on Guangdong**

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[Article by Huang Liren, Liu Shunyi, and Fu Xiaoping, of the Economic and Trade Commission of Guangdong Province: "The New GSP Program and Its Use in Our Province"]

[Text] After deliberation, the United Nations Conference on Trade and Development has adopted the new Generalized System of Preferences [GSP] program, which will be effective from January 1991 through 31 December 2000. The GSP is a general, nondiscriminatory, nonreciprocal tariff concession system that the developed countries apply to manufactured and semimanufactured products (including some primary products) exported by developing countries. To use—and to spread the use of—the GSP to expand export and secure more foreign investment are an important aspect of our work on foreign economic relations and trade. Especially, as the economic environment of the world has undergone new changes, and as there is a trend toward regionalization and bloc-formation in international trade, with trade protectionism on the rise, how to use the GSP for expanding export and achieving market diversification has become an important problem urgently in need of study and solution.

#### **I. The Contents, Goal and Role of the GSP**

The GSP came into being in the 1960's. After World War II, to expand exports to increase foreign exchange earnings for the purpose of developing national economies, the developing countries, which had shaken off colonial rule,

demanded that the developed countries grant certain tariff-reduction and exemption preferential treatments to products imported from them. Finally, in 1968, after long negotiations, UNCTAD adopted the resolution establishing the GSP. Since July 1971, the GSP program has been in effect through several 10-year stages, and is now in its third 10-year stage.

According to the GSP resolution, the GSP follows three principles: 1) general application, that is, that the industrially developed countries grant preferential treatment to all manufactured and semimanufactured products from the developing countries; 2) nondiscrimination, that is, that all developing countries should be granted the GSP treatment without discrimination and exception; and 3) nonreciprocity, that is, that the industrially developed countries should unilaterally grant tariff preferences to the developing countries, without requiring the developing countries to grant reciprocal preferences.

The developed countries that apply the GSP all have formulated their own GSP programs based on considerations of their respective national policies and economic situations. Aside from the twelve countries of the European Community which apply the GSP program of the EC, all the preference-granting countries each have a program of their own. Those programs are not entirely the same, but all have the following contents:

1. The range of products granted preferential treatment. The products granted preferential treatment are put on the list of products covered by the GSP; some preference programs list the products not granted preferential treatment. Generally, not many of the agricultural products (including aquatic products) are granted preferential treatment, while most of the industrial products are granted preferential treatment. But, some sensitive goods, such textiles, shoes, leather products, chemical products, are sometimes excluded. Generally, the list of products granted preferential treatment is formulated on the basis of the harmonized coding system (H S), except in the case of the United States.

2. The amount of tariff reduction. The amount of tariff reduction is the amount of tariff reduced under the GSP, and represents the difference between the most-favored-nation (MFN) tariff rate and the GSP tariff rate. Generally, the amount of tariff reduction is small in the cases of agricultural products, but rather large in the cases of industrial products.

3. Safeguard measures. The preference-granting countries usually have all prepared safeguard measures, in order to protect their national economies and to shield their own industry and agriculture from the competition of imports. There are mainly two categories of safeguard measures: The first is the escape clause; the preference-granting country reserves the right to totally and partially terminate the GSP preferential tariff treatment when the increase in imports from preference-receiving countries constitutes harm to the similar local products, and would, afterwards, impose tariffs at the MFN rates. The second is prearranged quantitative restrictions; that is, to set beforehand the

quantity and value of a product that can be imported in a certain period; the prearranged quantitative restrictions are used in practice in four forms: the maximum amount, tariff quota, maximum amount from a country, and standards based on the needs of competition.

4. Each preference program has, at the same time, provisions on its own country-of-origin principle, on which countries and areas will be the preference-receiving countries and areas, and on the term of validity of the program.

In short, the goal of the GSP is to increase the earnings of the developing countries, to promote the industrialization of the developing countries, and to speed up the economic growth of the developing countries. The first role of the GSP is to make the prices of the developing countries' exports more competitive so as to induce the developed countries to import more of the products granted preferential treatment, through the impact on prices exerted by the tariff reduction and exemption. Its second role is to help promote the industrialization of the developing countries. Under the country-of-origin principle of the GSP, the exports of the preference-receiving countries must be domestically produced or contain imported elements which have been fully processed and substantially altered after being imported. Its third role is to facilitate the developing countries's effort to expand the use of foreign investment, for whether the GSP treatment is applicable has become a consideration on the part of foreign investors in evaluating investment environment.

## II. The Difference Between the GSP and the Most-Favored-Nation Treatment

The GSP and the MFN treatment are two different preferential tariff systems. The major differences between the two are as follows:

1. Relations to the GATT. The relations between the GSP and the GATT are indirect, but the relations between the MFN treatment and the GATT are rather direct. In terms of the principles of the GATT, both the GSP and the MFN treatment embody the principle of nondiscrimination, but the two are different with regard to the principle of reciprocity. The GSP is nonreciprocal. When granting tariff and trade concessions, the developed countries are not to expect reciprocal concessions from the developing countries. On the other hand, the MFN treatment is reciprocal. The main goal of the GATT is to greatly reduce tariffs, eliminate discriminatory practices in international trade, eliminate quantitative restrictions in general, and keep control over certain nontariff barriers so as to promote mutual, reciprocal interests and achieve trade liberalization, through multilateral negotiations and the granting by countries of MFN treatment and equivalent national treatment to each other.

2. Difference in the scope of application. The GSP is the preferential tariff treatment granted unilaterally by the developed countries to the developing countries. A developed country unilaterally determines which developing countries are to receive its preferential treatment and which countries and areas are excluded. If a preference-granting country believes that the products from certain

developing countries and areas no longer need the GSP treatment, it can unilaterally terminate the treatment. This is usually called "graduation"; that is, that products from certain countries have graduated from the treatment given by the preference-granting countries. For example, in 1988, the United States unilaterally terminated the GSP treatment granted to the "four small dragons" of Asia. Currently, around the world, 27 countries provide the GSP treatment, and over 170 developing countries and areas enjoy the GSP treatment. However, the MFN treatment is granted, through a treaty, by the two signatory countries to each other. Each country should treat the other at least as well as it treats any third country at present or in the future; any preference given a third country will be granted to the other party unconditionally, without compensation, and automatically. Thus, the scope of application of this treatment is extensive. China, after recovering its signatory state status in the GATT, will be granted such multilateral, unconditional MFN treatment, in place of the current bilateral MFN treatment.

3. Difference in the duties assumed and the rights enjoyed. Under the GSP, the preference-receiving countries enjoy the right to the tariff concessions granted by the developed countries, but do not have to assume duties. However, in the case of the MFN treatment, one must assume duties when enjoying rights. For instance, when China has recovered its signatory state status in the GATT and receives the MFN treatment granted by the other members, it must assume such duties as those of granting tariff concessions, using tariff as the main means of regulating import and export, reforming the import regulation system, and opening up the domestic market,

4. Difference in the magnitude of tariff concessions. Literally, the MFN treatment seemingly means the lowest tariff rates, but such is not the case in practice. For instance, the tariff rate applied to toys of our province exported to the United States is 6 percent on the basis of the MFN treatment granted by the United States, and the rate will be 70 percent if the MFN treatment is not granted (note: the United States is one of a few developed countries which have not granted GSP treatment to China). However, GSP tariff rates are single-item preferential tariff rates which are even more preferential and are based on further tariff concessions exceeding the MFN treatment. GSP tariff rates are usually lower than MFN tariff rates by 20-70 percent; there is even total tariff exemption in some cases. For instance, with regard to the black tea imported by Japan from China, the GSP tariff rate is 14 percent, and the MFN tariff rate is 20 percent. With regard to the household washing machines imported by New Zealand from preference-receiving countries, the GSP tariff rate is 19.5 percent, and the MFN tariff rate is 24.5 percent; some products are even totally exempted from tariffs. Generally, the preference-granting countries apply at least three tariff rates, that is, the general tariff rate (highest rate), the MFN rate, and the GSP rate (lowest rate). Thus, it can be seen here that the magnitude of GSP tariff concessions is determined by the difference between the MFN tariff rate and the GSP

tariff rate. The higher the MFN tariff rate and the lower the GSP tariff rate, the larger the tariff concessions; and vice versa.

5. Difference in the products covered. The GSP contains various strict requirements on products granted preferential treatment. Different preference-granting countries grant preferential treatment to different products. Usually, every GSP program has a list of products granted preferential treatment; the products on the list will be granted preferential treatment, while the products not on the list will not be granted preferential treatment. But, some preference-granting countries would list the products not granted preferential treatment, and those products not on the list will be given preferential treatment. All the products granted preferential treatment must conform to the preference-granting country's customs tariff code. At the same time, in order to make sure that the GSP preferential treatment is given only to products which have been produced in the developing countries and which have acquired the necessary country-of-origin status, each preference-granting country's preference-granting program contains the country-of-origin principle formulated by the country concerned. But, the MFN treatment is different; it is granted through bilateral or multilateral treaties.

### III. The Use of the GSP in Our Province and the Problems Involved

Since 1979, China has been granted the GSP treatment by twenty-two countries: the twelve EC countries, Austria, Finland, Norway, Sweden, Switzerland, Japan, Canada, Australia, New Zealand, and Poland. Nationwide, our province has made the most use of the GSP since 1985. From 1979 through the first half of 1992, the trade-monitoring agencies of our province issued 2.3978 million GSP country-of-origin certificates, certifying exports worth US\$32.146 billion, exports comprising of over 1,000 items of over 30 categories. According to estimates made on the basis of an average 10 percent tariff reduction, our province gained US\$3.2 billion's worth of economic benefits from tariff reduction by making use of the GSP in foreign trade over the thirteen years.

At present, our province faces the following major problems in using the GSP:

1. The foreign trade enterprises use the GSP much less than the foreign-financed and processing-for-reexport enterprises do. For example, in 1991, the province issued 680,700 GSP certificates, certifying exports worth US\$8.785 billion. Of those certificates, 90,000 were general trade certificates, certifying exports worth US\$1.75 billion. 590,000 certificates—certifying exports worth US\$7.03 billion—were issued to foreign-financed and processing-for-reexport enterprises, and these certificates accounted for 86.7 percent and 80 percent of the total quantity and the total value respectively. The foreign trade enterprises accounted for only 13.3 percent and 20 percent of the total quantity and the total value respectively. Thus, it was the foreign-financed and processing-for-reexport enterprises that collected most of the GSP benefits.

2. Most foreign trade enterprises lack understanding of the GSP. The GSP's significance and role lie in expanding the developing countries' export of manufactured products so as to increase their foreign exchange earnings. In the recent years, the size of the foreign trade personnel of our province has continually increased, and export carried out by cities and counties independently has also increased. Nevertheless, there is a lack of competent personnel, and those with foreign language proficiency are even fewer than those competent. The province organized several training courses, but the effort remains far from meeting the needs of the multichannel, multitier export activities of our province. Consequently, the operational personnel lacks understanding of the GSP, and thus, in routine business activities, would apply for GSP country-of-origin certificates only at the request of foreign businesses.

3. The use—and the spreading of the use—of the GSP is affected by behavior based on short-term gains and by multiway competition. When foreign trade is carried out under the contract system, some foreign trade enterprises' behavior is based on short-term gains. Those enterprises would be only concerned about how to accomplish export tasks, but fail to consider long-term strategies for diversifying export markets. In addition, as the restrictions on the trading of the three categories of goods have been lifted, and as many businesses are engaged in the trading of the same goods, the operational personnel fears that in the process of negotiation, the GSP certificate-induced rises in export prices can drive potential buyers away, and are thus not very enthusiastic about using the GSP for expanding export.

4. The lack of information—especially the relevant data on the preference-granting countries—on the part of the export enterprises also affects the use of the GSP. Take the example of the EC. The MFN tariff rate imposed by the EC on imported bicycles is 17 percent, while the GSP tariff rate is 0 percent (that is, tariff exemption). But, at the same time, it is provided that each year only 10 million ECUs' worth of imported bicycles will be given the preferential treatment. The application of the preferential treatment is country-blind and on a first-come-first-served basis. The MFN tariff rate will be applied to imported bicycles after the 10-million-ECUs limit has been reached. As we do not have timely information, have no idea about the amount of bicycles imported and therefore do not know when the "gate" will be shut, we do not dare to make use of the GSP in concluding contracts, fearing that the enterprises and individuals involved might be held responsible.

Furthermore, with protectionism rampant in international trade, the role of the GSP will be eroded. The main reason is that the strengthening of the trend toward regionalization and bloc-formation in international trade, the increased use of monopoly in trade, the free trade agreements between developed countries, the great unified EC market, and the Uruguay round of multilateral trade talks can all erode the GSP. And some preference-granting countries' enhancement of the various restrictive measures and the "graduation" provisions have also to some extent affected our effort to use the GSP to expand export.

Nevertheless, so long as we give serious thought to the issue and enhance propaganda and training so as to make the enterprises fully realize the GSP's significance for—and role in—our province's efforts to expand export to increase foreign exchange earnings and diversify export markets, thereby spreading the use of the GSP and letting everyone share the GSP benefits economically, we will be able to reduce the costs of exports and help our province's foreign trade climb another step.

## INDUSTRY

### Progress in Localizing Production of Santana Sedan Reported

93CE0716A *Shanghai JIEFANG RIBAO* in Chinese  
11 Jun 93 p 1

[Article by Jiang Yingyi (5592 2019 0076): "Who Will Pick the 208 Flowers? Sidelights of Recruitment for Joint Venture Cooperation, Technology Introduction on Shanghai Santana Sedan Localization Project"]

[Text] The happy atmosphere in the Jixuan Hall and Mudan Room of the Hongshan Hotel in Shanghai suddenly became boisterous in the afternoon of 7 June because the Shanghai localization office was recruiting to introduce technology and have joint venture cooperation on the Shanghai Santana sedan localization project. Some 208 "coveted" projects attracted many domestic and foreign groups.

Seventy percent of the projects involve component transformation and development for the new Santana. Recruitment was by 23 Santana component manufacturers including the Shanghai Automobile Forging Works, Shanghai Huizhong Automobile Company, Shanghai Ball-bearing Company, and the Shanghai Rubber Company. Shanghai Dazhong plans to come out with a new model by the end of 1994; accelerating the new model's component localization is imminent. The remaining projects involve moving up to a new "stage" of localization of some existing Santana sedan components and improving development capabilities and technology reserve services. Deputy Director Zhu Keqin [2612 0344 0530] of the Shanghai industrial office told this reporter that he hopes this recruitment will enhance international and domestic exchanges through fair commercial competition, thereby attaining joint venture cooperation in which each assists in areas of excellence.

Regarding the many foreign companies, they ever more clearly realize the potential of China's sedan market. Nearly 70 foreign companies including Japan's Toyota Automobile Co, America's General Motors Overseas Corp, Italy's Fiat Co, Germany's Bayer AG Co, Japan's Sanleng Electric Co, and the U.S. General Electric Company, as well as foreign businessmen residing in Beijing and Shanghai, were greatly interested in the projects. Likewise, it also attracted the attention of some consulates in Shanghai. The consulates general of Australia, France and Germany all sent important personnel who zestfully participated in the event.

A company representative of the Shanghai Automobile Forging Works told this reporter that the plant's original "automatic wheel welders" had only two welding heads which would not satisfy volume production requirements. New welding machines must have four heads which can weld four wheels in one minute. As he was speaking, this reporter saw a representative of England's Yihe (China) Co, Ltd come to the recruitment table. In a flash, the two were in an energetic discussion.

In front of the Shanghai Huizhong Automobile Manufacturing Co table, Mr. Jin Wanli [6855 8001 6849] of the Dengjie International Shareholding Co, Ltd of the United States ardently marketed relevant production equipment to the firm. After getting an exhaustive grasp of relevant technology matters, the firm's representative showed himself an experienced "negotiator" by calmly asking Mr. Jin to provide information on the production scales of American equipment firms and domestic customers.

Le Meilong [2867 5019 7893], director of the Technology Department of the Shanghai Ballbearing Co, told this reporter that the precision requirements for Santana component bearings has reached one-seventieth of a strand of hair. Furthermore, they also must be able to revolve 150,000 kilometers at high temperatures, speeds, and loads. Some of the firm's products nearly meet these standards before. The company is prepared to invest 120 million yuan in search of good projects and cooperative partners.

Mr. Lu Ji'an, director of the Shanghai industrial office and chairman of the Shanghai Automotive Industrial Company, revealed three pieces of inspiring news to those at the recruitment conferences. One, as of now, all 1993 models of the Santana produced by the Dazhong Company have been sold out. Those who want vehicles have to stand in line for next year's models. Two, by the end of 1993, the Santana domestic product rate will exceed 80 percent. In 1994 customs duties on the remaining 20 percent of imported components will fall greatly. Third, while automobile firms pay attention to total vehicle development, they also will move forward overall levels of component development. Investment ratios are 1:1.5. In this way, by the end of 1995, when Shanghai Dazhong has the capacity to produce 200,000 Santana sedans per year, auxiliary component production can be raised from 200,000 vehicles to 300,000, making Shanghai a component base to provide components to sedans nationwide. To encourage component levels to a new stage, Chairman Lu announced that once the projects of this recruitment program are determined, the localization office might provide some low interest loans from some common localization funds.

After one week of gaining a superficial understanding through cursory observation, this reporter felt a certain climate from the boisterous "negotiating" table. Perhaps it indicated the gradual maturation of Shanghai's open enterprises.

### Corporate Head Views Import, Domestic Car Competition

93CE0716B *Shanghai JIEFANG RIBAO* in Chinese  
23 Jun 93 p 2

[Article by Jiang Jishen (3068 3444 3947): "How Domestic Cars Will Deal With 'Foreign Cars' Pouring In"]

[Text] The day of 22 June was the second day of the Shanghai International Automobile Industry Exhibition. Big foreign automobile companies spared no expense in fierce competition.

What should domestic cars do in light of the overbearing attacks by foreign car companies? I took this question to interview Zhang Lianyou [1728 6647 0645], general manager of the China Automobile Trading Corporation, who made a special trip to Shanghai to participate in this automobile exhibition. First he explained the production and sales situation for domestically produced vehicles in the first half of 1993 and trends for the second half. He said that since 1992, domestic vehicles have jumped into the fast lane of high speed development. In 1992, total nationwide vehicle output exceeded one million units, the highest ever. Domestic output in the first half of 1993 is forecast at 600,000 vehicles, with sales of 560,000 units, a new record. Production and marketing of imported vehicles also show rising trends. These trends have never happened before in past years.

Nevertheless, this does not imply that the domestic automobile market will become "hotter." According to information from those in various quarters who know, domestic auto sales have now reached the ceiling. Sales of domestic vehicles in the second half of 1993 cannot exceed the first half of the year. The entire year trend is a flattening. In this regard, domestic businesses must clearly understand that they cannot be blindly optimistic or hotheaded.

"At present, foreign cars are entering the Chinese market in a stream. After China 'rejoins GATT,' even more will follow on their heels. Given this new trend, what will be the effect on domestic vehicles? What policies should be adopted?" I asked Zhang Lianyou to enlighten me. He replied that effects are unavoidable but not fearsome. Since automobiles are one of China's backbone industries, still in the nascent stage, relevant "GATT" articles allow necessary protection of nascent industries. Only after a certain number of years will it entirely approach the international market. Domestic cars must see "rejoining GATT" as an opportunity to do all they can to catch up and strive to reduce the gap with foreign producers. The largest domestic sales units naturally will lend a helping hand to those in the same boat.

Zhang Lianyou believes we should understand three important matters in discussing top priorities for domestic vehicles:

Rapidly expand production volumes and have economies of scale. It is understood that the rational economy of scale for a vehicle manufacturer is at least 200,000 to 300,000 units per year. Among the more than 100 domestic entire

vehicle makers and more than 600 renovators, not a one produces more than 150,000 units. Such scales cannot greatly reduce costs. One is definitely at a disadvantage in terms of price competition with "foreign cars."

Rely on technological advances and rapidly improve quality and grades. At present, many domestic vehicle models, including some brisk sellers, were weeded out overseas many years ago. There is no future in using such vehicles to "rejoin GATT." It is hoped that domestic auto makers can energetically adopt new high technologies and continually promote replacement of older generation vehicles via joint venture cooperation, assimilation and tackling key technology problems. They also should develop export luxury medium-grade vehicles as soon as possible and alter the present void in the passive domestic situation which relies mainly on imports.

Improve business practices, and quickly approach international practices. At present, most foreign auto businesses engage in a tripartite coordinated operation of sales, repair and parts so that customers can buy vehicles without worry of what will happen later. In China we still follow the traditional planned economic system in which one firm does just one thing, and three different firms take care of three different matters. Customers generally feel the inconvenience. Foreign expatriots in China are even more not used to this. Happily, the authorized sales representative of the Ford Motor Company of the United States in Shanghai, the Shanghai Juhua Automobile Company, Ltd, has been the first to provide tripartite coordinated service in China. It has been praised by foreign managers of the three kinds of investment ventures. It is predicted that such an entirely new business method will lash out at the traditional domestic model. Those in the business in China should take note.

### Future of Shipping Industry Addressed

#### Impact of GATT Predicted

93CE0641A Beijing ZHONGGUO JIAOTONG BAO  
in Chinese 18 May 93 p 2

[Article by Wang Chuanxu (3076 0278 2485): "China's Return to GATT Will Have More Pros Than Cons for Its Shipping Industry"]

[Text] As to the specific condition of China's shipping industry, particularly as to the short-term impact, China's recovery of its GATT-signatory status will have an impact in many areas, providing a new opportunity for shipping industry development, while presenting the shipping industry with a stiff challenge.

#### I. The Advantages to Its Shipping Industry of China's "Return to the GATT":

1. It will help to expand shipping-market capacity. Once China "resumes its GATT seat," we will enjoy MFN treatment in over 100 signatory countries and regions, as well as the generalized system of preferences (GSP) by developed nations because we are a developing country, which will sharply increase the foreign-trade export volume of Chinese products. Meanwhile, as we will rescind

our import-commodity regulatory tariffs and gradually abolish our import-licensing requirements, this will pave the way for foreign-trade imports. Such import-export trade turnover increases will be bound to raise China's foreign-trade shipping volume and shipping-market capacity.

2. It will help to promote technical advances by China's shipping industry. Once we "recover our GATT seat," on one hand China's foreign trade laws and regulations will be more transparent, which will attract more foreign firms to China for investment and cooperation, making it easier for our shipping enterprises to import advanced foreign transport technology and equipment. On the other, our drive to make technical advances will be strengthened. According to "GATT recovery" requirements for lower tariffs, China's freight-shipping and port-machinery import-tariff rates will be sharply lowered, and our importing formalities will be streamlined, which will be beneficial to our shipping industry.

3. It will help China's shipping industry to evolve a global transport network. Once we "recover our GATT seat," foreign shipping companies will gradually acquire a larger share of China's shipping market, sharpening international competition for our domestic market, which will spur our enterprises to look abroad for new international shipping markets and organize their production activities around international market demand. In addition, as China's business and trade grows more internationalized and diversified, our domestic shipping industry will achieve vigorous growth, with our shipping lines radiating around the globe.

4. It will help to achieve direct shipping across the Taiwan Strait as quickly as possible. Once Mainland China "recovers its GATT seat," Taiwan will be able to "recover its GATT seat" as an independent customs territory of China, with the Chinese Government making appropriate arrangements for Taiwan to "recover its GATT seat." Taiwan's GATT membership will first require Taiwan to face up to the matter of business and trade across the Taiwan Strait, and to develop regular direct trade across the Taiwan Strait, which is a basic GATT requirement, as well as a proper and objective requirement of China once we "recover our GATT seat." So it can be predicted that our "GATT recovery" will promote direct traffic across the Taiwan Strait, with most foreign trade in container goods across the Taiwan Strait likely to use Kaohsiung as a transfer port.

#### II. The Disadvantages to Its Shipping Industry of China's "Return to the GATT":

1. As the "General Agreement on Service Trade" will take effect, foreign shipping companies will enter the maritime shipping lines, port industry, and warehouse industry in China's economy, setting up wholly foreign-owned or joint-venture enterprises in China, and engaging in the independent shipping activities of tugging, signing bills of lading, exchange settlement, and signing service contracts, which will put more pressure to compete on our domestic shipping enterprises.

2. Once we "recover our GATT seat," China's shipping-enterprise backwardness in relation to foreign shipping companies in areas, such as management methods, service quality, and technology and equipment, as well as our foreign trade reforms, will mean that Chinese shipping enterprises will face even greater competitive pressures.

3. Once China "recovers its GATT seat," our prices will be bound to be governed by the law of value. In other words, we will practice market pricing under market-economy conditions, while China's current prices are quite out of line with GATT requirements. As to the shipping industry's major raw material—crude, our current domestic market price for crude is 39 percent below the international market price, so that our crude price is bound to rise once our price reform begins to take effect, which will drive up China's shipping-industry costs.

In short, while China's "GATT recovery" will have both pros and cons for our shipping industry, it will have more pros than cons from an overall and long-range perspective. In comparison with other industries, it may be slightly more beneficial to our shipping industry.

#### Vice-Minister Views Industry Trends

*93CE0641B Beijing ZHONGGUO CHUANBO BAO  
in Chinese 21 May 93 p 7*

[Article by Vice Minister of Communications Liu Songjin (0491 2646 6855) (and President of China Ocean Shipping Company [COSCO]): "China's Ocean Shipping Industry Is Facing the 21st Century"]

[Text] [Editor's note] [Source-supplied English] This paper introduces the development trends of world economy, trade and shipping market, the situation of China's foreign trade and China's shipping market gradually opening to the outside world. It also describes the development features of China's ocean shipping industry in the future. It is said that the development of China's ocean shipping industry is closely related to China's shipbuilding industry. In the good situation of current further improving reform, widening the door to the outside world, and speeding up economic development pace, China's ocean shipping industry will march on hand in hand with shipbuilding industry to the new era of 21st century in common. [End editor's note]

First, allow me to extend my cordial greetings to the China Shipbuilding Construction Institute on its 50th anniversary. As ocean shipping is a key component part of China's communications and transportation industry, I heartily rejoice at the opportunity to jointly explore with domestic and foreign parties from all circles, such as shipbuilding, shipping, and trade, the matters of concern to all, in order to exchange information, advance mutual understanding, and promote cooperation.

#### I. World Business, Trade, and Shipping-Market Development Trends

While today's world is becoming more multipolarized, with increasingly sharper international business competition, peace and development remain its main currents. The

world's economic development is bringing the international shipping industry new expectations and opportunities. The outlook for international shipping-market trends for the mid- and late-1990's and the early 21st century can generally be summed up in the following points:

- In order to increase the group advantages and comprehensive impact of shipping enterprises, whose key signs are the forms of the establishment of transnational groupings and the overall flow of goods by sea, land, and air, shipping enterprise operations will develop in the direction of more grouping and comprehensiveness.
- In order to improve goods-shipping efficiency, shipping enterprises are undergoing a change in which the main contents are optimizing fleet structures, reforming shipping technology, and developing diversified forms of joint shipping.
- In order to safeguard shipping security, protect the ocean environment, raise economic efficiency, and lower costs, transport shipping is making safety, economy, energy conservation, and manpower economy its aims, becoming more resourceful and larger in scale.
- Employing the major means of computer and modern communications technologies, and the key ways of managing information and decision-support systems, shipping enterprises are applying management modernization measures.
- Joint operations among regular steamship-service enterprises are becoming increasingly common. This joint-operation trend is: 1) An exchange of shipping for markets, in order to increase market coverage, lower investment cost, and improve service quality. 2) From ordinary joint shipping lines to joint organization of container space and joint use of shipping space.

—In addition to the high costs of large investments, shipowners are also subject to the added risk costs of shipping liability and environmental protection, which is forcing them to pass on increased costs to merchants and final consumers, causing higher shipping prices and sharper competition.

In short, international shipping-market prosperity will depend on the growth of world business and trade and a relative balance in market supply and demand relations. In the foreseeable future, the world shipping industry will fluctuate within a limited range but grow slowly, with China's ocean shipping industry being impacted directly and indirectly by the world market.

#### II. China's Foreign Trade and the Gradual Opening of the Chinese Shipping Market

Looking ahead to China's future, our formation and perfection of a socialist market economy and accelerated pace of reform and opening will further speed up our economic growth rate, injecting vigor and vitality into our foreign trade. In 1992, China's foreign trade turnover reached \$165.6 billion, up 22.1 percent from 1991, with foreign trade shipping road and rail freight volume of about 250 million tons, and foreign trade ocean shipping volume of 200 million tons. As China recovers its GATT seat, reforms its foreign trade management, and comes into line with international-trade markets, China's position as a world-trade superpower will be further consolidated.

China's economic vitality and foreign trade growth will undoubtedly provide more favorable growth conditions for China's future ocean shipping and shipbuilding industries. Through three-plus decades of unremitting efforts, China's ocean shipping industry has grown into a large ocean shipping fleet represented by fourth-generation container ships, with mostly ones such as bulk-freight ships, diversified-use ships, tankers, which sail to over 1,100 ports spread throughout more than 150 countries and regions with almost 50 regular shipping lines, and more than 200 Chinese ships a month leaving China's major ports. As China's ocean merchant-ship fleet ranks eighth in the world's shipping industry, China has joined the ranks of world-shipping superpowers, becoming an A-rated permanent member state of the UN International Maritime Affairs Organization. In the ocean shipping market, the monopoly situation was broken up a decade ago. There are now 160 Chinese enterprises engaged in international marine transportation, with 1,612 ships and a carrying capacity of 21 million tons. As China's shipping enterprises have become more world-market-oriented, China's ocean-shipping market has been opened wide to foreign shipping enterprises, with many foreign shipping firms and shipping agency industries having set up representative offices in all areas throughout China, or having established joint-venture companies with concerned Chinese enterprises. A situation has developed in China's ocean shipping market of mutual competition among local and trade-enterprise fleets and foreign shipping companies, in which China's state enterprises are the key component.

It needs to be noted that in 1988 the Chinese Government abolished its regulations on Chinese ships retaining a set foreign trade shipping share, which has provided domestic and foreign shipping enterprises with more equal commercial opportunities and more open shipping markets.

### III. The Future Development Features of China's Ocean Shipping Industry

As China's ocean shipping industry experienced a period of rapid growth in the 1980's, the mid- and late-1990's to the early 21st century is going to be bound to bring a new stage of more openness and integration with the international shipping market, which will be characterized mainly as follows:

- Market operating forces are going to be essentially achieved, with large, medium-sized, and small domestic and foreign shipping enterprises in mutual competition, while practicing a certain degree of cooperation.
- As the strategic development aims of our communications and transportation industry are gradually achieved, a comprehensive shipping and material-flow system will begin to develop and take shape, with mostly diversified forms of shipping such as sea-land, sea-rail, land-air, and sea-river.
- Our international container shipping will see sharp developments, with our container-shipping volume likely to reach 7 million standard containers. We will

develop a container-shipping network of mostly 3,500-TEU large container ships, supplemented by 50-1,000-TEU ships.

- In order to meet China's large bulk-shipping needs and port-facility conditions, a new generation of energy-saving, high-speed, and shallow-draft easy-handling and Panama-type bulk-cargo ships will become the key components of China's merchantman fleet.
- With the more widespread use of the latest international shipping technology, such as low-energy and -consumption, anti-pollution and -collision, comprehensive automation technology, satellite-communications navigation, global positioning, and security warning, our shipping safety and efficiency will markedly improve.
- Our large-ship docking operations will see much improved conditions, with the foreign trade goods handling volume of major coastal ports averaging growth rates of 9 percent. Service facilities, such as ship maintenance, loading and unloading operations, fuel and goods supply, and ship-to-shore communications, will also clearly improve.
- As our government sector converts its functions, shipping enterprises will have a more relaxed external climate for market competition.

### IV. China's Ocean Shipping and Shipbuilding Industries

The march toward the 21st century of our ocean shipping industry will also present China's shipbuilding industry with new demands and expectations.

As electronics and computer technologies develop at a skyrocketing pace, our ocean shipping automation will become increasingly higher-tech. In the 1990's, ocean shipping has begun to make the transition from single systems automation to computer-controlled overall shipping automation. As all of the world's major shipping countries have now begun to research smart-ship development, already beginning to use new technologies and equipment, such as international maritime satellite communications systems, ship-communications management systems, global positioning systems, maritime anti-danger and security systems, meteorological navigation, automatic radar standard-design instruments, electronic nautical-chart information systems, self-adapting automated navigation, and marine reef-detector sonar systems, shipping industry figures hope that Chinese shipbuilding enterprises will apply these new technologies as quickly as possible to ships made in China. In addition, as China's socialist market economy gradually evolves and our shipbuilding industry gets onto the international market track, China's shipping industry world hopes that shipbuilding enterprises will be able to more widely participate in international shipbuilding-market competition, act in accordance with international practice, and become comparable with the international trade in areas such as shipbuilding quality, technology, pricing, delivery, and post-sales service, in order to obtain more orders. China's ocean shipping industry will grow along with pioneering in

China's shipbuilding technology, and will prosper to provide new opportunities and conditions to invigorate China's shipbuilding industry, so that our ocean shipping and shipbuilding industries will join hands to advance and greet the brand-new growth period of the 21st century.

## SMALL-SCALE ENTERPRISES

### Township Enterprise Achievements, Prospects

#### Achievements Higher Than Expected

*93CE0719A Beijing JINGJI RIBAO in Chinese  
13 Jun 93 p 1*

[Article by staff reporter Gao Yinuo: "The Second 'New Force Suddenly Arising: Some Thoughts on Township Enterprises, Part One'"]

[Text] "The biggest gain, which we never expected, has been the expansion of the township enterprises, a new force suddenly arising."

During a meeting with foreign visitors on 12 June six years ago, Comrade Deng Xiaoping described the township enterprises with this incisive and appropriate evaluation. Thereafter, the sobriquet "new force suddenly arising" became the highest praise and affirmation of the township enterprises.

In that particular year, 1987, output value for the township enterprises for the first time exceeded one half of the gross rural social output value by reaching 52.5 percent and forming the "other half of the country." Nonagricultural output value for the first time exceeded agricultural output, becoming the main force in the rural economy. This historic change signified for China the end of agriculture as the main component of the traditional rural economic structure and was of epochal significance.

Six years have passed as in an instant. Entering the nineties, township enterprises deserve to be looked at with even greater respect. After seeing a growth rate of 52 percent and bringing in 176 million yuan in product value in 1992, they have achieved a growth rate of 76 percent in the first four months of this year. According to the latest estimates, this year the gross output value of township enterprises will reach approximately 2.3 trillion yuan, with industrial output value breaking through the 2 trillion yuan level. Not only has this proportion already exceeded "two thirds of the scale weight" of gross rural social output value, but has begun to establish itself as occupying "the other half of the country" in the gross national output value.

According to the Eighth Five-Year Plan and the 10 year program drafted early in the Seventh Five-Year Plan period, township enterprise output value should attain 2 trillion yuan by the year 2000, and after many revisions, this was raised to 2.64 trillion yuan. As of today, the initial plan was realized this year, seven years ahead of schedule. The original plan called for realization of an output value of 1.4 trillion yuan, including 980 billion yuan in for industry, 1.2 trillion yuan in export trade, and tax revenues of 60 billion yuan by the end of the Eighth Five-Year Plan,

that is by 1995: these all have been greatly exceeded three years ahead of schedule in 1992.

Between 1984 and 1988, this "second force" barely broke past the average annual growth rate of 35 percent, but after coming into the nineties, one would almost have to reverse the numbers to 53 percent. No wonder the experts are exclaiming: "This is a second new force suddenly rising."

Six years ago during that now famous conversation, Comrade Xiaoping, in speaking about the development of township enterprises, said with great emotion: The expansion of township enterprises, primarily in industry, but also including other trades, has solved the problem of employment for 50 percent of the excess manpower in the rural villages. The rural village excess manpower is not running into the cities, but is establishing a huge number of small and new style rural villages. If one were to cite any contribution the center provided in this, it is that the policy of invigoration set by the center was on target. This policy achieved these kinds of beneficial results, letting us know that we did something wonderful. Something that I myself did not expect, and which a lot of other comrades did not envision was for these sort of results to come out so suddenly. In a word, the rural reforms show results very quickly and very obviously.

In November 1992, the State Council convened a meeting on mid-western township enterprises. Comrade Tian Jiyun stated in his report: "Since the 1980's, the one major event in our nation's reform and expansion which most attracts attention is the expansion of the township enterprises. In the beginning none of us thought that within a short dozen or so years the township enterprises would expand to the scale we see today. That it has formed such a mighty economic power, and made such a great contribution to this nation, can be called nothing less than a great miracle of China's reform and opening up."

After working the yellow earth for generations, the Chinese farmers have suddenly entered the industrial civilization and are embarked on what may be called the largest scale industrialization advance on earth.

The question people often scrutinize and have some doubts about is: township enterprise development speed is so high, what are the benefits really like? Some three years ago a study done by experts of a State Council research department stated: In the 1980's the growth rate of the gross output value for township enterprises not only exceeded the growth rate of gross social output value, but the rate of increase in tax revenues turned in to the state was constantly also almost one percentage point higher than the increase in output value. According to incomplete statistics for January to April of this year, township enterprise output value, sales income, profit and taxes were all increasing at a rate above 70 percent, with sales income increasing 81 percent, five percentage points above output value, and the product-sales rate was 98.7 percent, up 2.3 percent from last year at this time.

Doing a relevant analysis of the final 1992 financial accounts for 1.3 million major village and township (two levels) enterprises shows that in 1992 nationwide the

beneficial results for township enterprises set historical best records. For that year the rural and village (two levels) enterprises realized total profits of 53.4 billion yuan, an increase of 60.24 percent over the previous year, and exceeding the profits of 1988 the year of the highest profit increase by 18.12 percent. The rural and village (two levels) enterprises which constitute only 7 percent of the total number of township enterprises, turned over 44.1 billion yuan in taxes to the state, 13.4 billion more than in 1991. Rural and village (two levels) enterprises' total profit and taxes were 88.1 billion yuan, an increase of 51.33 percent over 1991 and equivalent to 1903 yuan per person, an increase of 35.35 percent over the previous year. For the whole year the rural and village (two levels) enterprises realized sales income of 898.6 billion yuan, up 50.62 percent over the previous year, and 4.78 percent higher than for 1988, the year of the historically fastest increase.

In addition to this, according to this accounting analysis, historical high records were also established for rural and village (two levels) enterprises in average assets, average fixed assets held, average sales income, and enterprise generated average profit and taxes.

Not long ago, the Ministry of Statistics for the first time ranked the 500 strongest of China's large township enterprises based on their 1991 output value and by ranking the sales income for that year for 6,133 township enterprises in all 28 provinces. The Guangdong's Zhujiang Refrigerator Plant, which markets its "Rongsheng" refrigerator here and abroad came in first. In his southern tour last year Comrade Deng Xiaoping personally visited this largest of the "old friends" which this year could have an output value of 2 billion yuan. Currently, nationwide there are already more than 30,000 township enterprises which have an annual output value exceeding 10 million yuan, and it will not be long before there will be some major township enterprises with annual outputs exceeding a billion yuan with profit and taxes in the 100 millions.

Nor was it long ago that the ranking list of the "100 strongest counties" for having township enterprises located therein was published. This was a nationwide ranking for the 1992 output value of the township enterprises within the counties (including county level cities), and there were more than 100 counties listed with annual output values exceeding 3.1 billion yuan: Jiangsu's Wuxi County led the list of the hundred with 32.41 billion yuan. In the Pearl River and Changjiang River Deltas where township enterprises are flourishing, some prefecture-level towns like Suzhou have output values which are closing in on large cities like Beijing, Shanghai and Tianjin.

At some point not far off, the concerned offices say, the number of people employed in township enterprises will reach 102 million, exceeding the number in state-owned enterprises. This number is equal to the amount of manpower urban industries absorbed over the past 30 odd years.

The farmers, which represent the vast majority of our population, have embarked on the road of the market economy and use ever more mature market economy

vision and foresight to operate and pursue their economic activities. They are playing a major role in rural industrialization. This is indeed a precious, vital treasure for China's development of the socialist market economy.

### Role in Urban Industrial Development

93CE0719B Beijing JINGJI RIBAO in Chinese  
16 Jun 93 p 1

[Article by staff reporter Gao Yinuo: "Opportunities and Choices: 'Some Thoughts on Township Enterprises, Part Two'"]

[Text] The research report by experts from a research institute of the State Council mentioned in the previous article went on to say: While the development of township enterprises was causing tremendous changes in the rural economic structure, it was also changing the whole national economic structure and the economic operational patterns, remolding the irreplaceable basis for sustained and stable economic development, and opening the curtain on the high speed evolution of the economic structure.

Acting as the guiding force in the socialist market economy, the exemplary effect of township enterprises has many aspects.

It is precisely the healthy growth of the township enterprises and other nonstate-owned economic entities that has posed the task of remodeling our industries under the conditions of the market economy; posed the critical tasks of establishing a new order in the market economy in keeping with the laws of the market economy and gradually forming a total reform environment and system of laws conducive to fair competition and common development.

It is precisely because the expansion of township enterprises made the thesis that science and technology is the first productive force a reality over a relatively broad area that the technological accomplishments which historically had to be uncompensated and lose money to be popularized have realized their value and received a price tag and now play a major role in forming a daily expanding science and technology market. Thus far this year the majority of the purchasers of science and technology achievements are the township enterprises; over 80 percent of all patented products have been bought by township enterprises. Around 50 percent of the results of scientific research are popularized among them. According to incomplete statistics, in 1992 the township enterprises on the east coast alone invested over 200 billion yuan in technical innovation.

Because of the expansion of the township enterprises we have provided the government a successful example of how to manage enterprises and the economy. "The Ministry of Agriculture has become the largest Ministry of Industry." According to current management systems, the output value of all industrial departments and trades is less than that of the township enterprises subordinate to the Ministry of Agriculture. Yet these township enterprises which involve almost all categories of industries and properties are currently under the administrative control

of the 75 people in the Ministry of Agriculture's Office of Township Enterprises. This "office" is practically penniless and powerless, and the enterprises in reality do not pay the least bit of attention to this "baby-sitter" and last year enterprise expansion was tremendous. Does not this form of management offer a convincing object lesson for changing the functions of government offices?

At present, when the second new force of the township enterprise is again facing a major opportunity and challenge, we need to advance further with the reform, change our thinking habits, and resolutely make some strategic choices.

First, there is the challenge coming from the outside world. With the world economic center of gravity shifting to the Pacific region, some of the nations of the Asian Pacific have already begun greatly hastening the pace of making long term revisions in their industrial structure and of upgrading and updating their products. The new trend of international financial capital including Taiwan and Hong Kong industries towards the mass transfer of funds and technology presents the township enterprises which depend heavily upon concentrated labor with another great opportunity for expansion. Especially for the township enterprises in the developed areas along the coast, participation in international market competition has been forced onto their daily schedules. By speeding up the internationalization of the township enterprises, by implementing direct contact between the township enterprises and international capital, technology, markets and personnel, we can cause them to experience another qualitative leap.

As early as 1986 the party center and the State Council proposed the strategy of developing an outward directed economy, encouraging the township enterprises to participate in international economic circulation. But now the westward movement of township enterprises has become the major strategic choice for speeding the development of the national economy. Not long ago after the State Council passed the resolution to develop township enterprises in the mid-west, the township enterprises in the midwest underwent a swift development with unprecedented momentum. Despite the fact that output value for the township enterprises of the midwest was only one third that of township enterprises nationwide, last year provincial and regional output value almost doubled in places like Henan, Jiangxi, Anhui, Sichuan, Hainan and Guangxi, giving one the impression that they not only do not want to fall behind, but want to be on top in the near future.

Township enterprises in the coastal developed regions have already passed the phase when the initial goal was to absorb surplus manpower, and their advantage of cheap labor is gone for good. The Zhujiang Delta and other such areas now must depend upon several million migrant men and women laborers to fill the gaps in their labor resources. Last year township enterprise export trade was 120 billion yuan, almost one third to the total national export foreign trade. Enterprises with annual export sales and purchases exceeding several million or even 100 million yuan are no longer a rarity in the two deltas. Currently there are over 70,000 township enterprises which have entered the circle

of international economic circulation, and over 100 which are transnational operations, with profits of over \$20 million last year alone from transnational operations. Of the more than 50,000 "foreign invested" enterprises nationwide, some 40 percent are run by township enterprises. Many of the township enterprises, which got their start depending upon the "three imports, one addition" have not only begun to expand through joint and cooperative ventures, but are now requesting independent export authority to run foreign oriented enterprises of a much higher level.

Second, with the township enterprises comprising such a segment of economic activity, how should they effect a reasonable division of labor with urban industries and the state-owned industries as regards the industrial and product structure? At present township enterprise industrial output value represents about 75 percent of all township enterprise output value; thus, expansion of the township enterprises is essentially a question of the mode and path of China's industrial development.

Analysis of township enterprise industrial output value by experts at the State Council's Development Research Center shows that output value of all types of processing industries represents about 80 percent and comes under a structure primarily of light industries. Precisely when the nation's industrial structure itself continues to have the big problems of stagnating development of power sources and raw materials industries, and the processing industry is overheated, with the township enterprises having this type of structural synchronization, how can they avoid having the same type of structural contradictions like supply and demand contradictions with ever widening gaps?

Third is the problem of the synchronized expansion of industrialization and urbanization. The main reason township enterprises form a structure "tending toward light industry" is the stagnation of urbanization, making it difficult for the tertiary service industries to get developing. At present China's value of industrial output makes up over 70 percent of gross industrial-agricultural output value, but the level of urbanization is only 24 percent while the world average is 42 percent and in developed countries it is from 80 to 90 percent. The township enterprises are indispensable to realization of rural industrialization, but now this rural industrialization is an industrialization wherein urbanization is inadequate, and the distribution is extremely scattered. According to a report from experts at the Ministry of Agriculture, currently 80 percent or more of the township enterprises are located in the villages, with about 12 percent located in townships, and only about 1 percent in the county. Some experts point out that despite the fact that as far as the farmers are concerned, township enterprises are run to solve employment and income problems, (according to a recent pronouncement by Agricultural Minister Liu Jiang, currently nationwide one third of farmers' income, and over one half of newly added income is supplied by township enterprises), why is it that the enterprise absolutely must be set up in the local village,

on the local farm? The development of rural industrialization calls for the appearance of developed small cities and villages. Speeding up rural urbanization is already on the agenda. This involves questions about changes in the status of farmers and management of the status of farmers. In order to facilitate greater room for activity for the farmers and more development opportunities, the speedy increase in the rural economy also calls for the expansion of rural-urban unitization.

The rise and vigorous development of township enterprises is an extremely great and unavoidable task in the process of China's economic expansion, reform, and opening up. Exactly five years after he proposed this famous thesis of the "second new force rising," Comrade Deng Xiaoping, during his talks on his southern tour, again and again addressed the strategic relationship between the development and healthy maturation of township enterprises and the great goal of modernization. In summarizing the experience of the Zhujiang Delta in its swift economic development, he again emphasized this sort of viewpoint: Industry and agriculture, rural villages and cities are mutually influencing, mutually accelerating—this is a very vivid and convincing process of development. Let us all pay closer attention to these 900 million farmers engaged in this tremendous undertaking.

## FOREIGN TRADE, INVESTMENT

### State Council Economist Interviews on Trade With ROK

93CE0645A Beijing JINGJI RIBAO in Chinese  
28, 29 May 93

[Interview in two installments with Jin Renxiong (6855 0088 7160), senior economist at the State Council Development Studies Center, by Sun Yanjun (1327 3601 0689); place and date not given: "The South Korean Economy and Sino-ROK Trade"]

[28 May 93 p 5]

[Text] [Editor's note] The South Korean economy has seen the end of a decade of sustained high growth and entered a new transition stage of adjustment. What were the successful experiences acquired by South Korea in its sustained high economic growth? What are the causes of its current slower economic growth? And what will be the impact of the changed South Korean economic situation on Sino-ROK trade? In order to answer these questions, the reporter interviewed State Council Development Studies Center Senior Economist Jin Renxiong. [End editor's note]

[JINGJI RIBAO] The South Korean economy has sustained high growth over the past decade, with GNP and export growth both averaging double digits, reaching a maximum of 15 percent. Will you please discuss the successful experiences acquired by South Korea in its sustained high economic growth?

[Jin Renxiong] The South Korean national economy maintained high growth all the way from the late 1960's through the first half of the 1980's, which successful experiences I believe can be summed up as follows:

1. A correct economic development strategy was adopted. South Korea began to pursue in the 1960's an export-guided, externally oriented economic development strategy. While South Korea was characterized at the time as a small country without resources, it did have an abundant supply of cheap labor, with a high level of literacy and workforce quality. Based on these national conditions, South Korea pursued an export-guided strategy, focusing its efforts on developing exports of labor-intensive products, such as textiles, clothing, and footwear, and cleverly exploiting the current international climate to bring its advantages into full play, which brought very quick results. This very quickly brought along its whole national economy.

2. Its industrial structure was quite rational. By the 1970's, South Korea was focusing on development of its heavy and chemical industries, around which focus it established an industrial structure with quite complete categories. While South Korea was a small country, all of its industries, such as automobiles, shipbuilding, industrial chemicals, and machinery, were quite complete, well outfitted, and formed into a system. This was also its most unique feature in comparison to the other three "little dragons" (of Southeast Asia, or Hong Kong, Taiwan, and Singapore). The advantages of establishing a relatively complete and well-outfitted industrial structure were that it reduced dependency on the superpowers, and provided the guarantee for a steady growth of exports. Since the 1970's, except for continuing to rely on imports in a few high-tech fields, South Korea has been providing all of its own domestic needs. As these heavy and chemical industries were established in the 1970's, the industrial structure was upgraded, with the export mix undergoing a change and being converted to mostly motor vehicles, machinery, household appliances, and heavy chemical industry products.

3. State macroeconomic regulation and control was balanced. From the late 1970's to the early 1980's, South Korea's economy was experiencing inflation along with high growth. Moreover, uneven economic development was bringing many conflicts and problems. So the South Korean Government set forth the development slogans of steady, efficient, and balanced, taking a series of state-intervention steps, which curbed inflation and ensured the sustained growth of its national economy. It should be pointed out that South Korea's state intervention was successful. South Korea's Business-Planning Office is the equivalent of China's State Planning Commission, except that it deals with private enterprise. For a developing country during its economic takeoff, state macroeconomic regulation, control, and intervention are indispensable. South Korea's Business-Planning Office not only exercised regulation and control in areas, such as development strategy and industrial structure, but also intervened in the production of large syndicates. In the automobile industry for instance, state intervention considered both economy-of-scale efficiency, as well as prevention of too much competition, in order to keep from weakening its overall competitiveness on international markets. Permission for

which syndicates to do what, and the emergence of its three large automobile businesses, were both the result of state intervention.

In addition to these three, South Korea's successful experience in sustained high economic growth was also due to an emphasis on education and S&T. An emphasis on education could be considered a Korean national tradition, with both the state and the people believing in education, causing quite high literacy rates. In the mid-1960's, South Korea began to import large amounts of funds and technology from Japan. Moreover, the state paid great attention to training domestic S&T talent, as well as making great efforts to attract foreign scientists and technicians and induce its overseas students to return home.

[JINGJI RIBAO] South Korea's economic growth rate has begun to slow in the last two years, with certain problems surfacing. Would you please give us your views on South Korea's economic trends?

[Jin Renxiong] While South Korea's economic growth rate has now slowed, I believe that this is a transition stage that will not last too long. South Korea's double-digit economic growth from the 1970's through the early 1980's dropped to 9.3 percent for 1990, 8.4 percent for 1991, and 4.7 percent for 1992. Estimates for the first quarter of 1993 are about 3 percent, with the price index rising only to 2.7 percent. Thus South Korean economy is certainly now in a slump. Since President Kim Young Sam took office, he has adopted a series of new economic policies. While these are not projected to have an immediate effect in the second quarter, the economy is likely to see some growth momentum in the third and fourth quarters. While this growth will of course certainly not be a return to the previous high double-digit rate, 1992's 4.7 percent growth rate is likely to be reached again in 1993. So it is entirely possible that South Korea's future economic growth rate will remain at 4-6 percent or 5-7 percent, which rates are still considered high in the capitalist world.

[JINGJI RIBAO] While some economists believe that South Korea's economy is under a cloud of recession, with the possibility of negative growth in 1993, others predict that it might very quickly bottom out and recover. But it is noted that the cause of South Korea's economic slowdown is structural, so that a too quick recovery would be adverse to structural adjustment. What is your view on this?

[Jin Renxiong] While South Korea's economy is certainly now experiencing difficulties, I see no indication of negative growth occurring. I have emphasized all along that South Korea's economy is in a transition period, which will not last long, or just for the two years of 1993 and 1994.

South Korea's economic troubles are certainly structural. In the 1960's and 1970's, South Korea's advantages were low wages and high efficiency, so that it used its low-price advantage to break its products into world markets. But in recent years, South Korea's wages have risen very quickly, causing a clear decline in the competitiveness of its export commodities. But this decline has been mainly in certain

labor-intensive products, such as low-grade textiles, footwear, and light industry, in which fields China and certain Southeast Asian countries are more competitive than South Korea. But in the area of manufacturing mid-level technology, South Korean products are internationally established as to quality and technology, with lower prices than those from developed nations, such as Japan. These South Korean products, mainly cars, ships, household appliances, rolled steel, and industrial chemicals, have still not lost their competitiveness on international markets. In these fields, China and certain Southeast Asian countries are not yet South Korea's rivals. Thus South Korea has lost its competitiveness for only a small part of its products. As structural adjustment will enable South Korea's economy to recover to a growth rate of 5 - 7 percent, I am optimistic about its prospects.

[29 May 93 p 4]

[Text] [JINGJI RIBAO] May I ask, what are the major items in the new economic policy set forth by the South Korean Government?

[Jin Renxiong] The major ones can be summed up as follows: 1) Increased fixed assets investment. 2) Invigoration of small- and medium-sized enterprises. 3) Additional S&T development investment. 4) Amendment and improvement of pertinent economic rules and regulations, and streamlining of tedious formalities. 5) Stabilization of basic daily necessity prices. 6) Government leadership of an anti-corruption campaign. Particular steps are lowering bank loan interest rates, reducing investment taxes, speeding up public facility investment, and supporting small- and medium-sized enterprises. Moreover, the South Korean Government has set forth the following slogans for its administration: an honest government, a stable economy, a healthy society, and a united country.

[JINGJI RIBAO] This new economic policy set forth by South Korea is really an overall reform, whose orientation is reducing government intervention to expand the market impact. In this sense, it is also a partial rejection of the previous policy of state intervention. Do you also believe that the previous state intervention was a bit overdone?

[Jin Renxiong] In my above summary of South Korea's successful experiences in achieving sustained high economic growth, my approval of South Korea's state intervention and my view that it was appropriate were in reference mainly to that of the 1960's and 1970's. While South Korea's economic development at the time was at a low level, so that it would have been very hard for the South Korean economy to take off without such intervention, South Korea's economy has become more complex since the 1980's, entering a high-growth stage in which further intervention as previously is both impossible and unscientific. The result would be the more intervention, the lower the economic efficiency and the less competitive edge. As all of South Korean society, from business to political circles, believe that the state intervention since the 1980's was overdone, which is also my view, reducing direct state intervention to promote marketization is

bound to become South Korea's reform direction. South Koreans from all walks of life have reached a consensus on this.

[JINGJI RIBAO] Some have recently posed the concept of a "South Korean malady." What is your view on this?

[Jin Renxiong] The "South Korean malady" is a generalization of the negative phenomena that have appeared recently in South Korea in areas such as political, economic, cultural, and social climate. It is manifested politically as mainly intrigue between the party and administration, and public corruption. It shows up in the social climate as people no longer being willing to engage in bitter struggle as in the past, with the sense of a "greater Korean nation" beginning to weaken. And its economic signs are the sharpening of inherent conflicts in the economic structure, with intensifying conflicts between large syndicates and small- and medium-sized enterprises. Among Asia's "four little dragons," Taiwan has mostly small- and medium-sized enterprises, while South Korea has mainly large ones, with the national lifeblood being controlled by about a dozen large syndicates, such as Samsung, Hyundai, Goldstar, and Dayu. The state overcontrols small- and medium-sized enterprises, discriminating against them in areas such as loans and market share. So small- and medium-sized enterprises are very disaffected with the government, while the conflicts among large syndicates intensify. In addition, collusion by the administration and military with enterprise has sharpened these conflicts, slowly turning many economic issues into social problems. As profiteering by monopoly syndicates and the real estate industry brings exorbitant profits, increasing numbers of people are no longer willing as in the past to work from dawn to dusk in bitter struggle. Of course, the term "South Korean malady" is directed at only the one aspect of negative social phenomena, which certainly does not negate the positive aspects of South Korean society.

[JINGJI RIBAO] Will you please discuss the status quo of and prospects for Sino-ROK trade.

[Jin Renxiong] China and South Korea have great bilateral mutual complementarity in the area of business and trade. This plus their geographic proximity means that trade prospects between our two countries undoubtedly are extremely bright. As to our mutual complementarity, South Korea has world-class mid-level technology and systematized advanced management methods, while China has cheap labor, a better investment climate, broader markets, and abundant resources, so that the potential for economic cooperation between our two countries is enormous. In fact, since Sino-ROK diplomatic relations were established, direct South Korean investment in China and Sino-ROK trade have both grown amazingly.

[JINGJI RIBAO] As the South Korean economy is now in recession, what impact will this have on Sino-ROK trade?

[Jin Renxiong] My view is that it will not be too great. As South Korea's economic recession is mainly a domestic structural problem, and China's key exports to South Korea are farm by-products and raw materials, South

Korea's current economic problems are having little impact on China's exports. As China's direct imports from South Korea are mostly rolled steel, industrial chemicals, passenger cars, and household appliances, South Korea's domestic economic slump is likely to speed up such exports instead. The establishment of Sino-ROK diplomatic relations has given South Korea one more key export channel, as well as a new market for certain products that it could not break into the international market. The growth of Sino-ROK trade will certainly ease South Korea's economic recession, spurring a quicker economic recovery.

[JINGJI RIBAO] Some hold that South Korea's economic recession will promote faster investment in China by South Korean entrepreneurs. In your view, is this a possibility?

[Jin Renxiong] While this is a factor, it is certainly not the key one, as the decline and shift of South Korea's mid- and low-level labor-intensive industries had already begun some years ago. And the key factor of rising wages had also started some years back. Certain South Korean textile and footwear firms had shifted mostly in 1989, 1990, and 1991, with the shift being mainly to Southeast Asia, but also some to China. South Korea's current slower economic growth rates are mainly in heavy, chemicals, and other technology-intensive industries. The shift of these industries would not be so easy or quick, being restricted on one hand by investment policy, and on the other by time, with some years needed for investigation, study, and feasibility analysis alone. Rather than saying that South Korea's economic recession will spur accelerated investment in China by South Korean businessmen, it would be better to say that the establishment of Sino-ROK diplomatic relations, plus the completion of the legal terms necessary for direct investment, have sharply speeded up investment in China by South Korean businessmen. This has enabled those South Korean businessmen who have long wanted access to Chinese markets to acquire it more boldly, confidently, and in larger numbers. Prior to the establishment of diplomatic relations, Sino-ROK trade was conducted mostly through private means. But since, intergovernmental trade, particularly direct investment in China by South Korean businessmen, has grown swiftly, at growth rates up to 100 percent, which trend can be predicted to continue.

## ECONOMIC ZONES

### Series Outlines Shenzhen's Future Development Focus

93CE0675A Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese  
24, 31 May, 14 Jun 93

[Article in three installments by staff reporter Sheng Ch'un (4141 5028): "The Shenzhen People's Congress and the CPPCC"]

[24 May 93 p 30]

[Text] With the implementation of the open policy in all positions on the Chinese mainland, the favorable policies

in the Shenzhen Special Economic Zone (SEZ) are starting to become "routine advantages." In these circumstances, what are the advantages of this SEZ? How does Shenzhen maximize its advantages to recreate its new advantageous circumstances? How to speed up development in the new round of opening and reforming? This has become a hot topic of discussion for both leadership and the rank and file. Recently, this reporter attended meetings of the Shenzhen Municipal People's Congress (MPC) and the CPPCC as a visitor and interviewed some of those in attendance.

#### **Shenzhen's location advantage**

During discussions between representatives at Shenzhen's MPC and CPPCC, the point that was most emphasized was that although every type of favorable policy faces serious challenge, Shenzhen's distinct location advantage will continue unchanged. Its regional advantage of adjoining Hong Kong was one of the most important material bases for establishing a SEZ at Shenzhen, and has also been a vital factor in the Shenzhen's rapid development over the past decade. Today, as Shenzhen continues to fulfill its role as a "market economy test site," a legislative "window" for implementation, its proximity to Hong Kong becomes a more clear advantage.

Lin Ziji [2651 4371 1015], Deputy Secretary of the Shenzhen Party Committee, was emphatic on this point during an interview: Shenzhen must use its distinctive location to fullest advantage, and maximize the current and potential advantages of Hong Kong to obtain the fullest complementary and coordinative relationship between Shenzhen and Hong Kong. This will accelerate Shenzhen's development.

#### **Communications obstacles**

For more than ten years, there has been considerable progress in communication and coordination between the two places. But quite a few obstacles still exist. The representatives at the MPC and the CPPCC reacted strongly to the following:

—Between Shenzhen and Hong Kong there are unacceptably severe traffic tieups, erratic telecommunications, and slow circulation of capital. CPPCC member Shi Zimin [4258 6327 3046] noted that funds sent from Taiwan can usually be received in Hong Kong the next day; but it takes at least ten days, even half a month or a month for money to travel the short distance from Hong Kong to Shenzhen.

—There are too many restrictions on the traffic of people and materials between Shenzhen and Hong Kong. One committee member, Shi Zhanxiong [2457 1455 3574], General Manager of the Chinese Bicycle (Group) Stock Limited Corporation, raised this point: on the Chinese-Burmese and Chinese-Vietnamese borders to the southwest, and the Chinese-Russian, Chinese-Mongolian borders to the northwest and northeast, the border entry and exit policies are now very relaxed, and the border trade is booming; why can't these restrictions be eased and procedures simplified for the traffic between Shenzhen and Hong Kong?

—Shenzhen got a late start on a market economy, and there are gaps in our laws and regulations in many areas. The government lacks administrative experience, and has issued many regulations which do not suit the needs of operating a market economy. It leaves foreign investors uncertain as to the path to take.

#### **Areas in urgent need of coordination**

The MPC and CPPCC representatives offered many rational suggestions on ways to strengthen Shenzhen-Hong Kong cooperation:

*Establish and put into operation a shuttle bus service between Huanggang and the Port of Luomazhou.* CPPCC committee member Wen Huotai [2429 0129 3141] and others offer this opinion: an average of 80,000 people pass through Customs in the Port of Luohu port every day, and this figure can rise to about 100,000 people during peak periods, almost up to saturation for what the port can handle; but the Port of Huanggang, which has invested 400 million yuan and was built to be the biggest port on the Asian mainland, has very light traffic. The latter port each day handles 40 to 50 passenger vehicle trips and about 2,000 people, and 6,000 trips by cargo vehicles; this is far below its designed capacity of 50,000 vehicle trips and 50,000 people per day. If the two sides establish a shuttle bus, the idle capacity can be applied to making contacts between Shenzhen and Hong Kong more convenient.

*Establish a Shenzhen-Hong Kong coordinated bonded area.* CPPCC committee members Li Ding [2621 1353] and Wen Huotai suggested that because of the different social and economic systems in Shenzhen and Hong Kong, and the current situation of Britain governing Hong Kong, it will be quite difficult to realize a thorough economic transition between the two before 1997; if we can select a section of the Shenzhen-Hong Kong border area, we can carry out an advance experiment in transition between the two within a partial area, and through the means of inter-personal contacts set up a commonly governed area to carry out planning, development, and close bilateral administration. We can carry out a transition experiment between Shenzhen and Hong Kong in advance within a partial area. This is needed both for further opening and reform in Shenzhen and for the historical demands of Hong Kong's return.

*Set up a reporting system concerning major construction projects in Shenzhen and Hong Kong.*

For example, municipal planning and construction of transport in Shenzhen should consider the requirements of Hong Kong's return. We can set up a public announcement and inquiry system for major changes to get the reaction of the Hong Kong British government. At present, the areas in Hong Kong which adjoin Shenzhen tightly are for the most part undeveloped areas; the Hong Kong residents in these areas also hope to develop their local economy through cooperation with Shenzhen. If Shenzhen takes this factor into consideration when formulating or revising municipal plans and makes timely announcements, this combined with Hong Kong's own promotion of the plans

could influence and promote the regional development plan of Hong Kong's British government.

*Improve efficiency through a relaxation of the restrictions on traffic of people and goods between Shenzhen and Hong Kong.*

There are many areas of cooperation between Shenzhen and Hong Kong, but this cooperation should be improved in both level and quality.

[31 May 93 p 26]

[Text] Shenzhen holds local legislative power, with puts it at an advantage in comparison to other cities of the same class or similar SEZ. This was another focal hot topic of discussion among representatives during the MPC and CPPCC Shenzhen meetings.

#### **Past policy was basically a policy promotion mode.**

The representatives, especially those from the economic community, believe that the market economy is a legal system economy. All who participate in the market operate within the environment of the legal system to ensure the market economy's successful operation. The market economy is totally new for the Chinese mainland. Although Shenzhen has tried it for a couple of years, the legal and regulatory systems required for operating a market economy remain to be established, and gaps remain in many areas. CPPCC committee member Qiu Meiyu [6726 2734 3768] believes it very important for Shenzhen to strengthen building its legal system, enact legislation on schedule, and implement the legislative power granted by the National People's Congress to push Shenzhen's economy into a new period of development.

As the "experimental site" and "pioneer" for opening and reform in China, Shenzhen has accumulated some experience. However, in the past twelve years of opening and reform, it has operated in a policy promotion mode; that is, the reform plan appears in the form of policy, legal only when it is developmentally mature, and not promoted directly by legislation. Now, with development of a market economy, added to the plan for building Shenzhen into a modernized, multifunctional, international, major city, it is impossible to govern the SEZ solely through a dependence on government documents. It is only through a strong and perfected economic legal system that Shenzhen will be accepted into international society.

#### **Legislation: the target of much hard work**

Over the past 12 years, there have been no more than 20 regulations and rules put into effect which are concerned with Shenzhen. These include Shenzhen-related legislation passed by the Guangdong Provincial government and the four newer rules and regulations issued after Shenzhen gained legislative power. Li Haidong [2621 3189 2639], a member of the Standing Committee of Shenzhen's MPC, commented in the MPC's report on its work that there must be a common understanding that in the areas of opening to the outside and economic system reform, there are regulations to rely on and rules to obey; we will attempt

to make all regulations and rules required by the socialist market economic order into a complete set of guidelines within five years; by the end of the century, we will draw up improved regulations and rules which will suit economic development in the Shenzhen SEZ and social progress in all positions. Experts believe that after inspection there should be at least one hundred more relevant rules and regulations to protect Shenzhen's smooth and steady development of a market economy. According to the plan about rules and regulations drafted by the Shenzhen city government, more than 80 rules and regulations will be drawn up over the next three years, and average of more than 20 a year. This demonstrates that the legislative objectives are substantial, but the work will be quite difficult.

There are many gaps in the laws insofar as building a market economy in Shenzhen is concerned. For example, the legal system for enterprises, or the legal system concerning the rights of labor. There are practically no labor organizations in Shenzhen's foreign capital funded nor joint venture enterprises, so the legal rights of workers are violated in differing degrees. There is an urgent need for rules and regulations concerned with an honest political and securities market, futures market, technological market, municipal supervision and administration, dealing with imitation and inferior quality merchandise, etc. The responses of the representatives were especially vigorous when it came to building corruption-free politics. CPPCC committee member Qiu Meiyu stated that building corruption-free politics is today a problem of major concern, integral to the success or failure of reform, opening, and development of a socialist market economy. But the legal system to oversee the activities of governmental organizations is imperfect; the majority of these are difficult to oversee legally except when dealing with emergency or only in the short term. This system is highly expedient, a bad deterrent with many shortcomings.

#### **Learning from the effective laws of Hong Kong**

How does one begin to fill in so many gaps? There are two modes of thought on this: one suggests drawing up an item when the time is ripe; another suggests initially drawing up a general law. CPPCC committee member Zhuang Jiahui [5445 0857 6540] advocated the latter way. He believes that there must first be established a basic law for the overall market, the market order, its economic administration and macroscopic regulation and control. The current focus of legislation should be: 1) draft the rules and regulations concerned with enterprise scale; in addition to those just issued concerning limited stock corporations and limited partnership corporations, there is still an urgent need for rules on cooperation, corporation clearing, and contract operation for enterprises of all types. 2) There is an urgent need for rules and regulations on formulating market sequence and for the issuance and exchange of stocks, negotiable instruments, loan and real estate transactions, etc. 3) Hasten the pace of drafting supervision and governance rules and regulations related to market economy sequence; for example, stopping inappropriate competition, protection of consumers' benefits and rights,

administration of merchandise markets and quality in construction engineering projects, etc. 4) There is an urgent need for rules and regulations concerning macroeconomic administration; for example, rules for investment administration, rules for administration of state-owned, rules for bonded areas, etc.

How to formulate quickly an appropriate and efficient system of rules and regulations for a market economy? The representatives spoke out freely but this time there were more than two trains of thought: one called for reviewing the more than 480 documents on enterprise standards which have been issued by Shenzhen in the past, and without hesitation discarding all those which are unsuited to the operations of a market economy operation, and keeping those which are appropriate. The latter group would then be revised and perfected, coordinating them with realistic requirements but on the old base, and would become legal economic rules and regulations through legislation of the Shenzhen MPC. As for those regulations which have already been issued by the municipal government, including those concerned with securities administration, those part which also do not suit the market economy and internationally accepted rules will also be abandoned. The legislation will protect and disseminate the achievements of reform, with the reforms and legislation being implemented simultaneously. Shenzhen has had some outstanding activities in this regard: the auction for land use rights in Shenzhen was a great reform and the regulation, "Rules for Land Administration in the Shenzhen SEZ," which developed from these activities, has been approved and issued by the Provincial People's Congress. Shenzhen's experience is now being spread to many other cities. The second way of thinking would prefer to make full use of the advantageous location adjoining Hong Kong, drawing upon the lessons of current efficient laws in Hong Kong, such as securities rules, financial rules and corruption-free administrative rules, etc. A third way holds that according to the generally-accepted international rules, there should usually be a period of social inquiry for legislation, widely seeking comments. But the consensus view of the representatives was that the legislation on Shenzhen must dare to be innovative, dare to draw lessons from Hong Kong and foreign countries (such as Singapore), to act as a pioneer, and to be a window for legislative experimentation.

Regardless of whether it is a foreign investor or a legal person enterprise, all in the city look forward to the market environment within a perfected legal system. After these laws are in place, there will be a demand for law enforcement agencies and law enforcement officials who are selfless, responsible, and much more devoted to their work. Reliable laws which must be obeyed are guarantees of the healthy development of a market economy, and the hope for the Shenzhen SEZ is that it can maximize its advantages and recreate its favorable situation. This is also the outcome anticipated by the MPC and CPPCC representatives.

[14 Jun 93 pp 24, 25]

[Text] What should Shenzhen take as lead industries? Which industries must Shenzhen emphasize to bring efficiency to its rising economy? This was another major topic widely discussed at the Shenzhen People's Congress and the CPPCC. It is commonly believed that this is now a very real problem demanding clarification as well as a theoretical question worthy of study.

**The financial and securities businesses should be "lead industries"**

There were two types of opinions attracting attention at the conference: one holds that Shenzhen must pay attention to developing high and new technological industries, to get the economy to take off and hold its developmental momentum. The representatives holding this view pointed out the more than a decade of development has already made labor and land very expensive in Shenzhen. It will be unprofitable to continue developing labor intensive industry on a large scale; we must turn our attention to high and new technological industries of high value and technological content. Indeed, this trend was reflected in the latest Shenzhen investment direction catalogue issued at the beginning of the year. Another idea maintains that we should take the financial and securities business as lead industries to bring and promote the rising economic development in Shenzhen. In the current stage, it would be inappropriate to put too much emphasis on high and new technological industries as chief leader. Their reasoning is: first, the core of modern economic competition is "capital" competition, and having developed financial and securities businesses will create a new type of relationship between financial capital and industry capital, and a steady stream of capital will pour into Shenzhen. Second, Shenzhen is an experimental site for reform of China's economic system, its financial reform preceded China's, and it is the base for one of China's two stock exchange centers, so it has good foundation for developing the financial and security businesses. Third, as a neighbor of Hong Kong, known internationally as a financial center, Shenzhen has a convenient study model and bright prospects for exploiting the international financial business. In addition, the return of Hong Kong in 1997 will force Shenzhen to integrate closely into Hong Kong's economic system in order to successfully connect with it economically. Fourth, speaking of developing new high technological industry, since Shenzhen's foundation is far inferior to that of cities with strong scientific and technological capabilities such as Beijing, Shanghai and Nanjing, it will be difficult to form an advantage in this area within a short period in Shenzhen. It is certainly correct to encourage development of high and new technological industry in Shenzhen, but it is quite another thing to put it in the position of lead industry. This reporter discussed the matter with many representatives, and the latter idea was most commonly accepted.

**The main force in the financial business must accelerate its own reform.**

Shenzhen's financial business could be called booming. The first joint-stock commercial bank listed in China—the

development bank has a bright outlook, the enterprise-owned investment bank is more powerful, foreign-owned banks are opening in Shenzhen one after another, the city credit cooperatives and other nonbank financial organizations are doing all they can to catch up. This causes the main force of the Shenzhen financial business—the specialized banks (the Construction Bank, the Agricultural Bank, the Industrial Bank, the Bank of China) suffer increasingly intense competition and face a difficult situation daily. The flexible administrative system of joint-stock banks and other nonbank financial organizations present a strong challenge to specialized banks. The heads of specialized banks complain of unfair competition. The need for specialized banks to speed up their reforms becomes increasingly urgent.

Everyone in the financial business recognizes the trend toward joint-stock and commercialization in specialized banks, and representatives of the CPPCC and the economic community are calling for it as well. They state that: right now there has been considerable progress in business operations and increasing gross profits, but their disposable capital is increasing extremely slowly. Take for example the Construction Bank, the Shenzhen Branch with the highest gross deposit volume last year in the city. Its disposable capital is far below than the 8 percent requirement of the Basel Agreement, not even up to the standards for commercial banks. If the specialized banks can be reorganized into joint-stock commercial banks in which general banks control stocks, and local banks invest stocks, operating under a general presidential responsibility system under the leadership of a board of directors. This will not only change their operating system, implementing enterprise management within the banks, but will also increase the amount of capital state-owned banks can control, truly perfecting the direction of capital investment, to implement the targets of high efficiency and high profits in using capital to serve the market economy.

Two CPPCC committee members, Shao Junyan [6730 0971 3508] and Song Hai [1345 3189] suggested the organization of the first Chinese-foreign joint venture privately owned financial organization; it would coordinate capital from Taiwan, Hong Kong, and overseas Chinese, would operate according to international general regulations, and could be named the "Shenzhen Chinese Coordination Bank."

The CPPCC committee members also set forth their ideas concerning some regulations in the Shenzhen financial business. Committee member Zhou Changhu [0719 7022 3840] suggested cancelling the cash administrative regulation banks have over enterprises. He thinks that cash administrative regulation is a principal accounting and economic regulation of the planned economic system, and its incompatibility with development of a market economy becomes more evident every day. Under a market economic system, enterprises can make their own decisions concerning how to use funds, with no inference from banks. Moreover, after banks have implemented enterprise management, their commercial activities will be separated from their policy activities, with banks no longer

involved in policy administration functions, only commercial business in which the pursuit of profits is the purpose of operation under the guidance of relevant regulations and has secure capital is a prerequisite for operation.

#### Creating the conditions for the securities business

A look at the overall situation in international financial centers shows that they all have developed securities business. Shenzhen has an advantage in being the location of one of two stock exchange offices in China, and in addition, Shenzhen borders Hong Kong, giving it bright prospects for the securities business.

Shenzhen was in the forefront of securities development, but recently it has fallen clearly behind Shanghai. After researching the causes for this, committee member Zhou Changhu [0719 7022 3840] summed up eight causal factors in the Conference report:

- 1) A failed securities system: the relationship among securities traders, registered corporations, and the exchange is like the three legs of a tripod, and there are many arguments about which is detrimental to increasing exchange efficiency.
- 2) A lack of coordination among departments engaged in securities activity, with each doing things in its own way. Securities traders from other parts of China have to deal with many departments to do business in Shenzhen, but in Shanghai only one seal from the Shanghai Security Exchange Office is needed to do business. In addition, the costs are higher in Shenzhen.
- 3) After the "10 August" stock disturbance, some leaders lost their creative spirit in their search for stability and fear of disorder.
- 4) Basic facilities are severely backward. It is difficult to get a telephone installed, and this seriously hampers commercial securities traders from other parts of the country in reporting their business. There are many complaints about the problem of displaying quotations from other parts of China.
- 5) There is a focus on project review but not on administration and supervision. Committee members and listed corporations feel that departments responsible for the work stress examining its essence but lack the capability to supervise its business. For example, some securities traders illegally change their business agendas, make overdrafts and conduct business with big customers only, etc. Exchange offices have no means of supervising and inspecting these illegal activities, which can destroy the reputation of the exchange office and the "fairness" principle. Several reports of rules violations have brought no results. The departments responsible for the work are too deeply involved in the market to manage it through the plan, and controls on it are so tight that its central position in the securities market is influenced.
- 6) There are too few exchange offices. The exchange site in the Shenzhen Great Theatre will be full before the year is half out.

7) There are seriously unhealthy tendencies in Shenzhen. The members from other parts of China reflect that it is difficult to do work in Shenzhen. This is expressed both in obtaining favors for sending gifts or buying dinners, and in low efficiency and widespread bureaucracy.

The representatives believe that these problems severely deter the development of the securities business in Shenzhen. The relevant departments must pay attention to the situation and implement the following: One: coordinate each functional department work to make a complete set with the "two other parts" (listed corporations from rest of China as well as members from the other parts of the country), and the nationalization of the securities business markets. Two: perfect the system, in order to bring to an end the situation similar to the three legs of a tripod. Three: government departments responsible for the work should simplify work procedures, controlling only the macroeconomic plan and letting the exchange office play the major role in the market. Four: "taking a reference from overseas, comparing with Shanghai, developing Shenzhen," should be the developmental principle for the Shenzhen securities business.

## POPULATION

### Impact of Market Economy on Population Development

93CE0748A Beijing ZHONGGUO RENKOU BAO  
in Chinese 14 Jun 93 p 3

[Article by Mu Guangzong, affiliated with the Population Institute of the Chinese People's University: "Views on Population Trends in China in the 1990's"]

[Excerpt] [passage omitted] According to a JINGJI RIBAO report on 12 November 1992, market mechanisms already occupy a dominant position in terms of the functioning of China's national economy. The share of industrial economy functioning under market regulation has risen to 84 percent. Especially, in such regions as the special economic zones, the Zhu Jiang Delta, and the Suzhou-Wuxi-Changzhou region in the Yangtze River Delta, the share of the economy under market regulation is over 90 percent. Such change in the functioning mechanisms of the economy would inevitably affect population development and lead to shifting in the focus of population work.

In the preliminary view of this author, two basic propositions can be made with regard to population trends in China in the 1990's:

First, the stage of initial development of market economy in the 1990's is also the special historical stage where the "dual-track" system functions. The two approaches to economic regulation—market-based and plan-based—will have cross-cutting, nonlinear compound impact on the complicated rural population situation.

The trends of change in the rural fertility rate in the 1990's can be similar to what happened in the period after the adoption of the rural economic system in the 1980's, that is, an upturn in the fertility rate. In other words, the initial development of market economy may bring about challenges and problems for population control, instead of facilitating population control. The reasons are: (1) There will be a lag effect with regard to the disruptive impact of the development of market economy on traditional child-bearing culture. In fact, presently many peasants' views on child bearing are still between the traditional and modern views, or are remain traditional. (2) So far the reduction in China's rural fertility rate has been the result of external constraints; that is, the mechanism involved has been a coercion-based reduction mechanism. Consequently, there is the possibility that the rural fertility rate can rise again when there are externally provided opportunities. The question now is exactly that the initial development of market economy would objectively allow those phenomena—such as migrating for the purpose of having "extra-plan births" and "negotiated-price children"—to happen.

Second, under the conditions of market economy, the income gaps between urban and rural areas, between different regions, and between different occupations may grow, instead of shrinking. Thus, because of the effect of the law of inducement of comparatively higher income, and because—in addition—the differences between regions in population pressures and development opportunities, the 1990's will unavoidably see stronger population-movement tides on a more widespread basis which will have a greater impact. In this respect, the emergence of such secondary population issues as that of "laborer tides" will arouse more attention and discussion. It may be said that under the conditions of market economy, the pressure resulting from surplus rural population will to some extent be transferred onto the shoulder of the urban areas and the developed regions with labor shortages. China is faced with the challenge of over-urbanization, and some "development pole" regions will also be faced with some disruptive effects of overconcentration of population.

In view of the two points discussed above, in the 1990's China's population problem not only is more severe but also involves more things and people; and the problem is gradually coming to have a bearing on all aspects of social and economic life. The challenge comes not only from the continued increase in the total population, but also from the emergence of many secondary population problems. China's population problem is quietly changing. Therefore, it is no longer appropriate to the new situation, if one just looks at the issue of the size of the population. From this perspective, if it may be argued that it is now truly necessary to attempt comprehensive solutions to—and conduct comprehensive planning on—the population issue, then changing the "Family Planning Commission" into the "Population Commission" will not just be a matter of names.

**Rapid Urbanization of Shanghai Population**  
*93CE0748B Beijing ZHONGGUO RENKOU BAO*  
*in Chinese 11 Jun 93 p 3*

[Report by Xiao Xiao: "The Population of Shanghai Is Rapidly Becoming Urbanized—The Present Population Is Already 14.3 Million"]

[Excerpt] [passage omitted] According to the figures recently released by the Shanghai Municipal Statistical Bureau, Family Planning Commission, and Public Security Bureau, the total municipal registered population was 12.894 million in 1992, representing an increase of 1.9112 million over 1978 when the population was 10.9828 million. According to estimates based on sample survey data on population changes, if the several hundreds of thousands of residents who had stayed in Shanghai for more than a year but who were registered residents of other municipalities or provinces are counted, and if those who were registered residents of Shanghai but who had left Shanghai for more than a year are not counted, the municipal resident population was 13.45 million at the end of 1992. If the large number of people who stay in Shanghai for short periods of time are also counted, then Shanghai's existing population will be approximately 14.3 million.

With economic development, Shanghai's population is rapidly becoming "urbanized." The share of nonagricultural population in the total municipal population increased from 58.7 percent in 1978 to 67.9 percent in 1992. At the end of 1992, in the 132 townships and towns across the municipality there were 22,000 households—with a population of 54,000—which were responsible for their own food grain; these households represented 9 percent of the total population of towns across the municipality. The accelerated urbanization is also manifested in the accelerated adjustment of the distribution of population in different sectors. Of all the workers in the municipality, those working in the primary industry accounted for 35.5 percent in 1978, but only 10 percent in 1992; those working in the tertiary industry accounted for 21.4 percent in 1978, but 30.5 percent in 1992, representing an increase.

Fourteen years of efforts to implement the reform and opening to the outside world have resulted in the rapid social and economic development of Shanghai, leading to breakthrough development in the expansion of urban areas in 1992. Four townships were made urban areas; two counties were abolished and turned into districts; and the Pudong New District was established. As a result, in 1992 the area of urban districts reached 2,075 square kilometers, which was 2.75 times the area before the expansion and accounted for 32.4 percent of the total area of the municipality. The urban registered population reached 9.427 million, accounting for 73.1 percent of the total municipal population, and representing an increase of 12 percentage points over 1991. (Excerpted from GONG-GONG GUANXI BAO.)

**Evolution of 'Three Unchangings' Family Planning Policy**  
*93CE0748C Beijing ZHONGGUO RENKOU BAO*  
*in Chinese 28 Jun 93 p 3*

[Article by Bian Houze, affiliated with the Hubei Provincial Family Planning Commission: "The Proposing and Establishing of the 'Three Unchangings' Policy"]

[Excerpts] At the Third National Symposium on Family Planning Work gathered by the CPC Central Committee and State Council in March this year, Li Peng, premier of the State Council, reiterated: "The existing family planning policy will remain unchanged, the practice of controlling population through setting and reaching population targets will remain unchanged, and the practice of chiefs of party organizations and governments taking overall charge of family planning work will remain unchanged." The principle of "three unchangings" is the basic principle guiding our effort to manage well the family planning work under the new situation regarding the reform and opening to the outside world. [passage omitted]

On 8 April 1991, the CPC Central Committee and State Council gathered an unprecedented high-level conference in the history of the family planning work in the Huairan Hall at Zhongnanhai; that is, the First National Symposium on Family Planning Work. After that, on 12 May, the CPC Central Committee and State Council issued the Decision To Enhance Family Planning Work and To Impose Strict Control Over Population Growth. These two events set off a "high-level" family planning "shock wave," arousing strong reactions nationwide, thereby becoming a new milestone in the history of family planning work. When recalling the two big events, Peng Peiyun, minister in charge of the State Family Planning Commission, pointed out in her New Year Greetings delivered on 1 January 1992: "This resulted in an unprecedentedly good situation in China's family planning work. Many comrades call it the spring of family planning work."

In the spring of 1992, Comrade Deng Xiaoping's southern inspection remarks set off China's second wave of reform. [passage omitted] But there also occurred some worrisome signs during that period. Under the new situation, some leading comrades began to focus their attention on economic work only, while neglecting family planning work; some other comrades believed that so long as the economy could develop, population control would be automatically achieved, and that it was not necessary to make so much effort to conduct family planning work. In addition, some people became unrealistically optimistic, reducing the intensity of their effort and underestimating the difficult and long-term natures of family planning work.

It was against such a backdrop that on 29 March 1992, the CPC Central Committee and State Council gathered another National Symposium on Family Planning Work in the Huairan Hall at Zhongnanhai. The Central Committee supported the view that in the past year "there has truly occurred a situation nationwide where all in the party have joined the effort, where all in the nation have been

mobilized, and where the chiefs of party organizations and governments have personally taken charge of the matter."

It was at this symposium that Comrade Li Tieying, a state councilor, said: "It is necessary to adhere to the 'three unchangings' policy, that is, that the existing family planning policy, population planning targets, and the practice of chiefs of both party organizations and governments taking overall charge will remain unchanged; it is necessary to continue and develop the good momentum in the work and to conduct family planning work in a vigorous, satisfactory manner."

At the meeting, the center publicly put forward the 'three unchangings' basic principle on family planning work for the first time. This was a far-sighted strategic move.

Afterwards, in view of the development in the situation, ZHONGGUO RENKOU BAO published the commentator's article, "It Is Necessary To Adhere to the Policy of 'Three Unchangings,'" explicitly arguing: "It is necessary to make adhering to the principle of 'three unchangings' an important part of family planning work for some time to come"; "the principle of 'three unchangings' represents an understanding of the inner laws of things involved on the basis of reviewing positive and negative experience regarding China's family planning work over a long period in the past. Only by adhering to the principle of 'three unchangings,' would it be possible to consolidate and develop the good situation and environment conducive to family planning work, and be possible to accomplish the Eighth Five-Year Plan population plan and the ten-year population program."

On 14 September, in view of the situation regarding family planning work at that time, the State Council specifically held a national telephone conference on family planning work. Minister Peng Peiyun reported on the situation regarding family planning work, pointing out that "leading comrades of some localities relaxed in their effort to conduct family planning work," and proposing that the provinces, autonomous regions, and municipalities "carefully study the problems in their work and solve the problems in their thinking and understanding." Comrade Li Tieying pointed out: "In family planning work, it is necessary to always adhere to the principle of 'three unchangings"'; "no matter what happens and no matter what problems occur, there must be no wavering in practicing the fundamental policy of family planning." At the same time, RENMIN RIBAO carried an editorial: "It is necessary to conduct family planning work in a vigorous way, while developing the economy," pointing out that there were signs of relaxing in the family planning effort, and arguing that it was necessary "to unwaveringly carry out the development of the economy and taking charge of the issue of population control, and that it is absolutely necessary not to neglect the fundamental national policy of family planning." In this way the editorial sounded the population alarm to warn the people nationwide, and clarified issues on which there existed confused views.

After that, leading comrades at all levels have further enhanced their understanding of the importance of adhering to the principle of "three unchangings," and have emphasized the requirements of the principle of "three unchangings" on various occasions. Thus, the principle of "three unchangings" has aroused widespread attention from people. As a result, some erroneous tendencies were corrected; such a development contributed to the healthy development of family planning work in a right manner.

At the 14th CPC Congress which had historical significance, Comrade Jiang Zemin pointed out in his report: "It is absolutely necessary not to relax in family planning work; it is necessary to ensure the accomplishment of the set population targets, unwaveringly promote giving birth to good babies and taking good care of babies, and improve population quality. Pay attention to the study of the issue of aging of population, and make conscientious effort to do a good job in this respect." [passage omitted]

On January 1, 1993, ZHONGGUO RENKOU BAO published the commentator's article, "Develop the Good Momentum, and Strive for New Victories," reiterating the "three unchangings" policy.

In the Spring Festival period, in the Letter to Family Planning Workers Nationwide, Minister Peng Peiyun emphasized that, "it was necessary to unwaveringly use the basic practices that had been effective for many years."

In late February, at the National Conference on Statistical Analysis of Population Situation, Minister Peng Peiyun called on everyone to become clearer about guiding principles: "While concentrating on doing a good job of carrying out economic construction, it is necessary to control population growth. It is imperative to adhere to the policy of 'three unchangings.'"

On 15 March, in the Report on the Work of the Government delivered at the first session of the Eighth National People's Congress, Premier Li Peng emphasized: "Family planning work represents a heavy task and is very difficult. While concentrating on carrying out economic construction, it is absolutely necessary not to relax in family planning work."

On 21 March this year, the CPC Central Committee and State Council gathered the Third National Symposium on Family Planning Work in the Huairen Hall at Zhongnanhai. At the meeting, Comrade Jiang Zemin pointed out: "To practice family planning was a correct decision made on the basis of proceeding from the actual situation in China. After the establishment of the system of socialist market economy, this fundamental national policy should be continued for a long time. There must be no wavering whatsoever." Li Peng emphasized: "The center reiterates that the existing family planning policy will remain unchanged, that the practice of controlling population through setting and reaching population targets will remain unchanged, and that the practice of chiefs of party organizations and governments taking overall charge of family planning work will remain unchanged."

Thus, the basic principle of "three unchangings" concerning family planning work has been clearly put before all in the party and all in the nation. [passage omitted]

## TRANSPORTATION

### Nanjing Civilian Airport Feasibility Study Approved

93CE0718A Nanjing XINHUA RIBAO in Chinese  
2 Jun 93 p 1

[Article by Shi Bosheng (2514 0130 3932): "Feasibility Study Approved for Construction of New Airport in Nanjing"]

[Text] A feasibility study to build a civilian airport at Lukou in Nanjing has been approved by the State Planning Commission.

The scope of upcoming construction of the Nanjing new airport includes: the airport built on 4E-class specifications, with a 3,600 meter long and 60 meter wide runway that can accommodate takeoffs and landings of fully loaded B747-400 aircraft, feeder runways and a guiding lights system for all weather operation, a 240,000 square meter overall airport area, and a 170,000 square meter apron. The terminal, designed to accommodate peak traffic of 3,200 inbound and outbound passengers, will be built on a 68,000 square meter site, which will also include a 4,500 square meter control tower and a 1,000 square meter meteorological tower. Other engineering support facilities will be built at the same time.

Construction of the Nanjing's Lukou Airport is expected to take three years the foundation and earth work are scheduled to begin in September, 1993, foundation for the terminal building the end of this year, and the airport open to traffic by the end of 1996. Construction of the Nanjing's Lukou Airport is a major infrastructure engineering project. When completed, the airport will improve the links between Nanjing and China's other major cities, improve air transportation facilities for Nanjing, promote economic and trade cooperation as well as scientific, technological and personnel exchanges between Jiangsu Province and foreign countries. The airport, in short, will have a major impact in the entire Jiangsu province, Nanjing in particular, in terms of opening up and economic development.

### Jiangsu Civilian Air Cites Good Safety Record

93CE0718B Nanjing XINHUA RIBAO in Chinese  
18 Jun 93 p 1

[Article by Min Liang (7036 0081), Li Hui (2621 2547) and Cui Hua (4733 5478): "Jiangsu Civilian Air Staffs and Workers Ever Mindful of Safety; In First Five Months This Year, There Was a Total of 5,290 Safe Landings and Takeoffs"]

[Text] Over 1,600 Jiangsu Civilian Air staffs and workers, highly alerted to the "Safety First" objective and conscientiously striving to implement that objective, have ensured an air safety record. In the first five months this year, they were responsible for 5,290 takeoffs and landings by various types of aircraft, achieving a 99.1 percent normal operational record.

Jiangsu Civilian Air has a glorious history of 34 years of continuous air safety record. On 31 July last year, after a Tongyong Airline passenger aircraft crashed in the Nanjing Airport, leading cadres of Jiangsu Civilian Air Transportation Bureau seized upon this accident and launched a safety-first education campaign to impress upon all the staffs and employees that no small details can be overlooked in connection with air transportation of passengers and cargo. With their safety consciousness raised, the staffs and workers have scrupulously discharged their responsibilities at their respective work stations. On New Year's Eve this year, a Boeing 737 passenger aircraft on a Beijing-Nanjing flight landed in the Nanjing Airport; during the brief stopover and inspection, the Nanjing Airport duty mechanics discovered a broken spare part in the left wing, quickly replaced it and prevented the aircraft from resuming its flight with the hidden problem. On 19 March this year, a large passenger aircraft on a Fuzhou-Nanjing flight, on a landing approach, mistook the Nanjing Tushan Airport for the Nanjing civilian airport; thanks to close tracking of the aircraft by control tower personnel, the inbound aircraft was alerted in time and a major mistake was averted. Comrades of the security inspection station carried out their duties patiently and with care; they performed security checks for 700 flights, 9,536 passengers and 248,000 pieces of hand-carried and checked baggage, and found 78 passengers not in compliance with regular boarding procedures, and 416 items of dangerous articles forbidden to be taken on board, preventing problems before they could surface.

**Renowned Jurist Expounds Characteristics of Bribery**

*93CM0390B Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese No 25, 21 Jun 93  
pp 17, 18*

[Article by Mao Pengnian: "The Characteristics of, Punishments for, and Prevention of Bribery in China"]

[Excerpts] [Editor's note] Mao Pengnian, a graduate of the Law Department of Beijing University, is now professor at the Central College of Political and Legal Management Cadres and director of the litigation teaching office of the college. He has published various legal writings totalling over 2 million characters. [passage omitted] [End editor's note]

Presently, the crime of bribery is a very prominent problem in China, especially in the coastal special economic zones [SEZ]. For example, the share of embezzlement and bribery cases in big and major cases is very large in the Shenzhen SEZ; and is gradually increasing. In 1989, during the period of implementing the circular of the court and the procuratorate, in Shenzhen City the share of embezzlement and bribery cases in big and major cases that were commenced and investigated was 50 percent; the share in the big and major cases that were commenced and investigated increased to 74.6 percent in 1990. Of those cases, there were 10 big cases each involving a total of over one million yuan; two prefecture-and bureau-level cadres were involved. A typical case was the extra-big case of Gao Senxiang, former president of the Shenzhen Branch of the Zhongxin Enterprise Bank, who accepted over 630,000 yuan, 1.73 million Hong Kong dollars, and 5,000 U.S. dollars in bribes. In 1992, 100 big cases were commenced and investigated. Nine of those cases each involved a total of over one million yuan; these cases accounted for 84 percent of the total. This example shows that in the special economic zones which are in the forefront of the reform and opening to the outside world and where market economy is rather developed, there exist some loopholes because the relevant systems of legal rules are not fully developed and because the regulations in various areas are not fully developed, and that as a result there are opportunities that criminals can exploit.

One characteristic of the crime of bribery at the present time is that it is closely related to the "hot points" in economic development; that is, the criminal activities of offering and accepting bribes and of helping arranging the accepting of bribes tend to happen frequently and involve large amounts in hot-point sectors which are hot and which generate high returns, amid economic development; in those sectors, the bribery crime rate is high. The situation in the Shenzhen Special Economic Zone shows that currently the hot-point sectors are: those of capital construction, real estate, finance (including securities), commerce and trade, and others.

Take the example of the capital construction and real estate sectors. In the mid-summer of 1992, based on the leads provided by the public security agencies, a procuratorate in Shenzhen City broke seven big cases—in one

stretch—during 45 days, cases including those of the Shenzhen Branch of the Guangdong Provincial Construction Corporation and of a real estate firm in Shenzhen. Those involved in the seven big cases had conspired together, resulting in a typical "conspiracy case." A conspiracy case involves many parties and organizations. Many entities are victims of crime. The criminals had conspired with the relevant personnel at the land-use examination and approval agencies, and gained huge illegal profits through transferring permits for projects and land development, resulting in losses of state assets totalling as much as over 20 million yuan. Take another example. A man working at a firm in Hong Kong had, first, not registered with Shenzhen's authorities; second, no real-estate development license; and, third, no capital. Nevertheless, he illegally bribed the relevant personnel, and traded in development permits and in real estate through working with the units which had development permits, thereby making illegal profits totalling over 10 million yuan. The "rats" in the finance industry are also very hateful. They exploit their credit power by accepting large amounts of bribes and giving away huge amounts of funds in loans. For instance, during a period of less than two years, Chen Xianmin, former vice chairman of the board of directors of the Fanxin Corporation of Shenzhen offered bribes to bank presidents, ordinary employees, and drivers in the forms of giving dinners and special-consideration money, with the bribes totalling over one million yuan. The focus of the bribery activities was on bank presidents and the personnel controlling credit power; over 31.7 million yuan and over 15.6 million U.S. dollars in illegal loans were lent. After getting the huge loans, Chen Xianmin conducted illegal business operations, and mismanaged his business. In addition, he led a luxurious and dissolute life, spending freely. As a result, when the case was broken, he still had bank debts totalling over 100 million yuan, and was completely unable to repay the debts within a short period of time. Consequently, the state suffered great losses.

Various methods have been used in the criminal activities of bribery. With the enhancement of the procuratorial agencies' capability to break cases, the criminals have discarded their regular criminal methods used in the past, and adopted various strategies for avoiding being hit by the law. The most commonly seen method used in the crime of bribery is the "one with one" method. The so-called one-with-one bribery method means that one briber gives money or objects to one bribee. Usually, there is no third party present, and no written records and other traces are left. When the activity is exposed, it becomes very difficult to gather any evidence apart from the confessions of the defendants. And, it becomes very difficult to adjudicate in a case when one defendant has confessed, while the other defendant has first confessed and then retracted the confession. In addition, there are also such practices as giving civil gifts, compensations for services, and commissions. All such practices are on the borderline between crime and non-crime. Some criminals engage in bribery activities under the cover of such practices. There are also such new forms of bribery as giving permissions to use apartments, expensive

home appliances, and vehicles. In name, what is involved here is loaning the goods; in fact, what is involved here is uncompensated supply of goods to be used indefinitely. The purpose of using those more subtle bribery methods is to avoid punishments provided by the law.

Currently, there are three types of the crime of bribery: the intelligent type, secret type, and greedy type. First, the criminal activities of bribery of the intelligent type are job-based criminal activities. The offenders are highly educated, have rich social experience, and all have some power. Therefore, those people are very careful, subtle, and cautious in their criminal activities. Second, the secret

type. Those engaged in the criminal activities of bribery of this type use undercover methods, and are insidious and cunning. They scrutinize and exploit those loopholes in the policies and laws relating to the reform and opening to the outside world. They claim that they are walking on the margin of the law, but are in fact engaged in open or secret criminal activities of bribery by offering or accepting bribes. Third, the so-called greed type. Those engaged in the criminal activities of bribery of this type look for opportunities, and steal state and collective properties in a big way, energetically devouring the properties as if eating an enormous amount of food. [passage omitted]

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